Gwinn-Sawyer Area Chamber of Commerce
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FOUR SEASONS OF FUN

APRIL 06, 2001

MR. BRAD BOTWIN
DIRECTOR, STRATEGIC ANALYSIS DIVISION
BUREAU OF EXPORT ADMINISTRATION
U.S. DEPT. OF COMMERCE, ROOM 3876
WASHINGTON, D.C. 20230

DEAR MR. BOTWIN:

I AM WRITING TO EXPRESS OUR SUPPORT FOR THE UNITED STATES IRON ORE INDUSTRY AND ITS POSITION IN THE COMMERCE DEPT. SECTION 232 INVESTIGATION TO DETERMINE THE NATIONAL SECURITY ASPECT OF IMPORTED IRON ORE AND SEMI-FINISHED STEEL.

FIRST AND FOREMOST, CAN WE AS A NATION ASK THE MEN AND WOMEN OF OUR ARMED FORCES TO DEFEND OUR COUNTRY USING WEAPONS SYSTEMS THAT WILL RELY ON AN UNINTERRUPTED SOURCE OF STEEL FROM OUTSIDE OUR BORDERS? NOT ALL FUTURE CONFLICTS WILL BE OVER AS SWIFTLY AS THE PERSIAN GULF WAR. A PROLONGED ENGAGEMENT COULD FIND THE U.S. DEPENDENT ON THE JAPANESE, RUSSIANS OR CHINESE FOR OUR STEEL NEEDS. DOMESTIC IRON ORE MINES AND BLAST FURNACES, ONCE SHUT DOWN, CANNOT BE PUT BACK INTO PRODUCTION ON SHORT NOTICE.

SEVERAL OTHER CONSIDERATIONS MUST BE ADDRESSED. THE IRON ORE MINES OF MICHIGAN AND MINNESOTA ARE LOCATED IN RURAL AREAS THAT RELY HEAVILY ON THE ECONOMIC ACTIVITY GENERATED BY THE MINES. IF THE MINES ARE FORCED TO CEASE PRODUCTION, THE IMPACT ON OUR COMMUNITIES WILL BE DEVASTATING. MODERN MINING REQUIRES A SKILLED WORKFORCE THAT IS WELL PAID. THERE IS NO COMPARABLE INDUSTRY WHERE THESE WORKERS CAN FIND REPLACEMENT JOBS. THE RIPPLE EFFECT OF LOSING BASIC MINING JOBS WILL TRAVEL THROUGHOUT THE LOCAL ECONOMY.

COUNTY, CITY AND TOWNSHIP GOVERNMENTS WILL BE FACED WITH PROVIDING SERVICES WITH DIMINISHED TAX REVENUES. WHEN THE MINERS AND THE WORKERS WHO PROVIDE GOODS AND SERVICES TO THE MINES LEAVE, WHAT HAPPENS TO THE HOUSING MARKET? WHAT HAPPENS

TO OUR SCHOOL SYSTEMS? WHAT WILL FILL THE VOID LEFT WHEN THE MAJOR ECONOMIC PLAYER LEAVES THE TABLE? OUR TRADE POLICIES MUST TAKE INTO ACCOUNT THEIR IMPACT ON HARD WORKING TAXPAYERS AND THE INSTITUTIONS THEY SUPPORT.

AS THE SECTION 232 INVESTIGATION GOES FORWARD, THE GWINN-SAWYER AREA CHAMBER OF COMMERCE REPRESENTING APPROXIMATELY 140 BUSINESSES IN OUR 180 MILES OF RURAL COMMUNITIES, URGE YOU TO CONSIDER THESE FACTORS. AMERICA'S DEFENSE INFRASTRUCTURE SHOULD REST ON A SOLID FOUNDATION BUILT WITH RELIABLE SUPPLIES OF VITAL RAW MATERIALS SUCH AS AMERICAN IRON AND STEEL.

OUR AREA IS CURRENTLY REBOUNDING FROM THE RECENT CLOSURE OF K.I. SAWYER AIR FORCE BASE AND TO SEE OUR IRON MINING INDUSTRY IN JEOPARDY WOULD BE CATASTROPHIC TO ALL OF US.

RESPECTFULLY SUBMITTED,

Jeanette Maki

JEANETTE MAKI, PRESIDENT
GWINN-SAWYER AREA CHAMBER OF COMMERCE

JAM:jm

FABCO CAT

April 6, 2001

Mr. Brad Botwin, Director
Strategic Analysis Division
Bureau of Export Administration
U.S. Department of Commerce
Room 3876
Washington, DC 20230

Dear Mr. Botwin:

Our company is involved in the support of iron ore mining activities in the Upper Peninsula of Michigan. I am writing on behalf of the 550 employees within FABCO to whom iron ore is important.

The ability of our country to be "steel independent" is vital to our national security in my opinion. Without iron ore mines, processing plants and the skilled people to run them, much would be at risk. In the uncertain world we live in, can we afford to just stand by and watch this industry disappear? I hope not!

As your Section 232 investigation moves forward, please remember that we can't have a captive American steel industry without a domestic source of raw supply. Thank you for your consideration of this important strategic issue.

Sincerely,

Gene Jones

Gene Jones
Sr. Territory Manager

STS Consultants, Ltd.
Solutions through Science & Engineering

April 5, 2001

Mr. Brad Botwin, Director
Strategic Analysis Division
Bureau of Export Administration
U.S. Department of Commerce
Room 3876
Washington, DC 20230

Dear Mr. Botwin:

I am writing in support of the United States iron ore industry and the Department of Commerce Section 232 investigation to determine if iron ore produced in this country is vital to national security.

My company, STS Consultants, Ltd. (STS), is a vendor and contractor to the industry in Minnesota and Michigan. We employ approximately 450 people. If iron ore mining is shut down in the areas in which we do business, adverse effects will be felt by our business organization.

In 2000 the iron ore mining companies lead by Cleveland Cliffs, Inc., accounted for 5% of STS's annual sales. There are no other industries in the rural areas of Minnesota and Michigan that could replace this business if it were lost. We would be forced to close our Marquette, Michigan, office, which employs 15 people; and we would be forced to reduce staff in our Green Bay, Wisconsin, office due to the loss of work.

I have read the criteria the Department uses to determine impact, and most seem to apply to the iron ore industry. Certainly displacement of iron ore mining in the United States would cause substantial unemployment at the mines and within the vendor, supplier, and contractor organizations that service the iron mining industry. There would be significant loss of government revenues, and the workforce of specially trained people would quickly move to other parts of the country or remain in the area largely unemployed.

There are other Department criteria that apply; however, I would like to focus on one point that may not be fully understood.

A very high percentage of the iron ore mined in the United States is of low grade when compared to iron ore mined elsewhere in the world. This low grade ore called taconite cannot be extracted from the ground and shipped directly to a steel mill. Taconite must be beneficiated, improved, and upgraded into taconite pellets before it can be sent to market. If the mines are shut down, you cannot restart shipment of iron ore with just a power shovel and railcars.

23138I(C438I002.DOC)

1035 Kepler Drive • Green Bay, WI 5431 l-8320 • (920) 468-l 978 • (920) 468-3312 Fax

Restart-up time for an iron ore taconite pellet plant is directly proportional to a multiple of the shutdown time. That is, it takes a great deal more time to restart an iron ore pellet plant than it does to shut one down. When a pellet plant closes, vital equipment is usually sold and the skilled staff disappears. If you do not have skilled employees and the specialized equipment is gone, several years may be needed to restart an iron ore mining operation.

In a time of national crisis, we will not have the luxury of that time. We would become dependent upon foreign steel in much the same way that our nation is dependent upon foreign oil.

I respectfully ask the U.S. Department of Commerce to find the United States Iron Ore Industry essential to national security and protect it as such. Thank you for your consideration.

Sincerely,

STS CONSULTANTS, LTD.

Michael J. Wheeler/bv

Michael J. Wheeler, P.E.
Principal Engineer

MJW/jls.wd

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HOUGHTON, MICHIGAN 49931-0456

April 3, 2001

Mr. Brad Botwin, Director
Strategic Analysis Division
Bureau of Export Administration
U.S. Department of Commerce
Room 3876
Washington, D.C. 20230

Dear Mr. Botwin:

I am writing in support of the United States iron ore industry and the Department of Commerce Section 232 investigation to determine if iron ore produced in this country is vital to national security.

I feel that it is not only essential to national security it is also the largest employer in the Upper Peninsula of Michigan and northern Minnesota. We cannot afford to loose the jobs that Cleveland-Cliffs Iron Company provides to these northern areas and put our national security at risk.

Thank you for your time and consideration in this matter.

Sincerely,

Michael R. Mattila
Chief Executive Officer

MRM/lw

c. File

COLLIN SAND & GRAVEL COMPANY
P.O. Box 332
Chisholm, Minnesota 55719

April 2, 2001

Mr. Brad Botwin
Director, Strategic Analysis Division
Bureau of Export Administration
U. S. Department of Commerce
Room 3876
Washington, DC 20230

Dear Mr. Botwin:

I am writing to express my support for the United States iron ore industry and its position in the Commerce Department's Section 232 investigation to determine the national security aspect of imported iron ore and semi-finished steel.

First and foremost, how can we as a nation ask the men and women of our armed forces to go to war using weapons systems that will he reliant on foreign sources for the steel that goes into them? Any prolonged engagement could easily find the U.S. totally dependent on the Japanese, Russians, Chinese, or other foreign countries for our steel needs. Our iron ore mines and blast furnaces, once shut down, cannot be put back into production on short notice. In short, this would put the United States in an extremely vulnerable position. An item as simple as a ball bearing would freeze the necessary mobilization of troops and equipment.

There are several other considerations that must be addressed. The iron ore mines of Minnesota and Michigan are located in rural areas that rely heavily on the economic activity generated by the mines. If the mines are forced to cease or drastically cut production the impact on our communities will be devastating. The ripple effect of losing basic mining jobs will travel throughout the local economy.

County, city, and township governments will be faced with providing services with a diminished tax base to draw revenue from. When the miners and the workers who

provide goods and services to the mines leave, what will happen to the housing market? What happens to our school systems? Please tell me exactly "what" will fill the void when the major economic player leaves the table? Our trade policies must take in to account their impact on hard working taxpayers and the institutions they support. Free trade is one issue, but the FREE DUMPING of steel is illegal!!!

As the Section 232 investigation goes forward I strongly urge you to consider these factors. America's defense infrastructure should rest on a solid foundation built with American iron and steel.

Respectfully submitted,

Eric Howard
CEO
COLLIN SAND & GRAVEL CO.

cc: Congressman James Oberstar

March 30, 2001

Mr. Brad Botwin
Director, Strategic Analysis Division
Bureau of Export Administration
U.S. Department of Commerce, Room 3876
Washington, DC 20230

Director Botwin:

I join with all the concerned people on the Marquette Iron Range in respectfully urging a quick and permanent end to the current illegal dumping of foreign steel flooding our country.

Having been born in the shadows of two underground mines and for all 75 years of my life, I know how critical mining has been to the people. Since its earliest days the iron ore mines have been the economic backbone and lifeblood for thousands of families and the business community. As a retired miner and Representative of the United Steelworkers of America, I know of no group of people who have joined together in overcoming recessions, depressions, the challenges of new mining methods, new and changing technology and consumer demands for better quality and quantity of iron ore products. Their success has often had the assistance of a concerned government.

While others have appealed to your office as stockholders, miners, mine officials, local leaders of government, church, education, business, etc., it doesn't matter whether they are union or non-union workers, member or non-member of the Chamber of Commerce, Democrat, Republican or Independent, they again join together urging our national leaders to save the domestic iron ore industry. To keep alive that American Dream for our children and to pursue their dreams as we have.

The American Dream had its origin in the hearts of our immigrant ancestors. It was this dream of better lives, jobs and job opportunity, communities where they could live in peace and raise families, with good schools, hospitals and safe streets, and above all a government that really cares for their well-being. It is these dreams that brought immigrants to the Marquette Iron Range from more than sixteen foreign countries. They came in search of their dreams and their efforts were not in vain as we all know. I have taken this opportunity to enclose something I wrote in 1999 after a rally to Save My Daddy's Job. As a concerned grandfather, I cannot find any understandable answers to troubling questions that cause this concern and worry over the future. Perhaps this is due to limited schooling, or plain ignorance, maybe both. Hopefully, some more learned, absent of ignorance and much younger, will provide these answers and tell me where I am wrong in reaching my conclusions.

Am I wrong in comparing the current trade policy with being a hostage to foreign governments? What have our miners, mines and communities done wrong to warrant sanctions that are similar, even with the potential of being more severe, to those imposed against Cuba and Iraq? To be treated with the likes of Fidel Castro and Sadam Hussein is something we will never understand.

The potential danger and cost in money and lasting suffering, should the two remaining mines close permanently and prematurely, will exceed those resulting from natural disaster. The loss of 2,000 mining jobs, another 4,000 directly related to mining activity, will result in the loss of mine expenditures over 380 million dollars annually. A total economic impact of over two billion dollars in local purchasing power. Losses equal to or greater than the cost of rehabilitating and restoring property and people after natures flood, hurricane, tornadoes, earthquake and fire.

During all of 1999, the only remaining mining company observed its 1 50th Anniversary. A long history of continuous operations on the Marquette Iron Range. A total production of iron ore that exceeds 400 million tons. Enough ore to fill a single train that would circle the equator one and a half times. At current designed capacity, another 1,000 miles could be added to that train.

During the yearlong observance, Cleveland Cliffs was presented the coveted award of a foreign country, the British Newcomen Society. The Society cited the company for its longevity and its contribution to National and world economy and peace. Ironically, two years later, a Democratic Administration with its poorly disguised Free Trade Policy threatened this company, and all others along with the domestic steel mills. Closures and layoffs the result of that policy. Two years later, it was a Republican Administration that has permitted this same threat that will have the same results if not stopped.

We have seen many new businesses and small industries settle on the Marquette Range. They have been welcomed and we congratulate the efforts of our federal, state and local governments that have made it possible. With financial assistance, consultants and tax-free zones, the future of these new enterprises looks bright. How well their success and survival is a question we must all ask. Surely, it will not benefit should the mines close taking away that two billion dollars of purchasing power.

Maybe a day will come when a President will visit our area. Not in search of votes or contributions, but to meet and talk to the people. I am confident that he or she would conclude that “we have done our best for the good of our country,” and how we have supported the major employer in its long history of providing the iron ore to keep this country strong.

Director Botwin, I cannot justly explain how important the iron ore mines have been to the well being of thousands of families. Families with long histories, not only in mining, but also for many who have provided the necessary goods and professional help needed by all families. In many families, there is a history of five, even more, generations that have depended on those mines. We cannot allow any indefensible and unbalanced trade policies bring an end to these proud histories or the dreams our immigrants brought to this country. Coming from a family of five generations of iron ore miners, I cannot allow those dreams to die without my best efforts to keep them alive. They will die and nightmares will replace dreams unless sanity and fairness return to our trade policies.

As a concerned grandfather, I hope that my two grandsons now working in the mines will be able to end their working careers in the mines and retire with good and secure retirements. I also hope that my two great-grandchildren, when old enough and should they choose, follow in the footsteps of their great, great, great-grandfathers. Their footsteps were the first in our family history with the mines made by two Finnish immigrants from their native country in search of their dreams. Dreams uniform among all the foreign immigrants.

Now after 109 years of following their footsteps, with the same dreams, we must be concerned and worry over the future of other generations. We would not be a worthy grandparent, parent, or American, if we fail in keeping all the dreams alive.

Respectfully and Sincerely,

Ernie Ronn

Ernie Ronn
P.O. Box 145
AuTrain, MI 49806

P.S. Just released figures by the Census Bureau show a decline of 8.8% in the population on the Marquette Iron Range. A number of public schools are in jeopardy of closing. The largest district, Marquette, has announced closing of two of its schools. Other districts facing the same possibility. Many good and dedicated teachers being laid-off, others offered incentives to retire early all in an effort to adjust to the loss of population and tax revenues. These schools and their staffs are among the best anywhere.

The two mines have announced planned shutdowns of indefinite duration because of the current level of imports. One hundred thirty workers already laid off from the mines. Under this current threat we again live like those with a malignancy in remission - never knowing when the cancer returns.

It is your good office and the policy makers of our government that have the power to end this reoccurring cancer once and for all. Only then can we return to a life we are accustomed to, to pursue these dreams of our forefathers with a caring government.

cc: President George W. Bush
Senator Carl Levin
Senator Debbie Stabenow
Representative Bart Stupak
Harry E. Lester, USWA Director District 2
David A. Foster, USWA Director District 11
Mike Prusi, Coordinator Stand Up For Iron Ore
Lake Superior Community Partnership

March 20, 1999

SAVE MY DADDY'S JOB

After 153 years of CCI mining iron ore on the Marquette Iron Range, it and all of its 2,000 employees are at greater jeopardy than at any previous time.

Over these many years the company, its employees and the mining community have made many sacrifices and struggles to keep its most important and vital employer producing the iron ore at historic levels.

Despite labor disputes, depressions and recession, they have also met the changes brought by new technology, modernization and demands of consumers. Now for the second time in less than 20 years, they face an enemy that shows no compassion, understanding or loyalty to the American Steel and Iron Ore Industry. These decision-makers who are hell bent on turning our domestic industries and jobs at whatever cost to the American firms, employees and cities. Unless abated, the current flood of illegally dumped and foreign government subsidized steel, we face a dark and dangerous future.

The flood of imported steel again began to increase illegally during 1998. By the beginning of 1999 they increased to a level greater than ever before. Thousands of American Steelworkers laid off and mills closing began and continue. The threat and fears over the possible closing of the only two mines still in production resulted in a large rally on the 14th of March 1999. The Lake Superior Partnership Committee sponsored this rally that drew some 2,500 people to the Memorial Gym in Negaunee. By any measure this rally the best held to date anywhere.

Twenty years earlier many of today's Partnership Committee also conducted a "Save our Jobs" rally in Ishpeming. At that time it was the Lake Superior Jobs Coalition giving the community a sense of pride in seeing how people can get together in a common cause.

As the rally proceeded it brought out my strong emotions and greater shame than any one needs. In the beginning ceremonies, a parade of preschool boys and girls marched into the gym with a few of their "elders," those in kindergarten. They marched to the music of the school band playing "When the Saints Go Marching In." There never will be a more appropriate marching song for this particular march. We were standing and applauding these little real life saints. As they passed, one could see the excitement on their faces and in their eyes, proudly wearing mining hats and carrying their own designed and worded placards. They were excited and awed by the great applause they received from the people watching them. Watching them caused me to choke and attempts to hold back tears proved futile. I asked myself how many of their grandparents, even great grandparents I might have known when I was their age. The migrant families from no less than 16 different nations who came to Negaunee to work in the mines or as merchants and other service providers in Negaunee. Their ancestors coming here from their native land only to escape ruthless governments, employers, the elite, even churches that had no concern over the under class working men and women. The goal of these migrants was a simple one. To make a better world for themselves and all who would

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April 2, 2001

Mr. Brad Botwin
Director, Strategic Analysis Division
Bureau of Export Administration
U. S. Department of Commerce
Room 3876
Washington, DC 20230

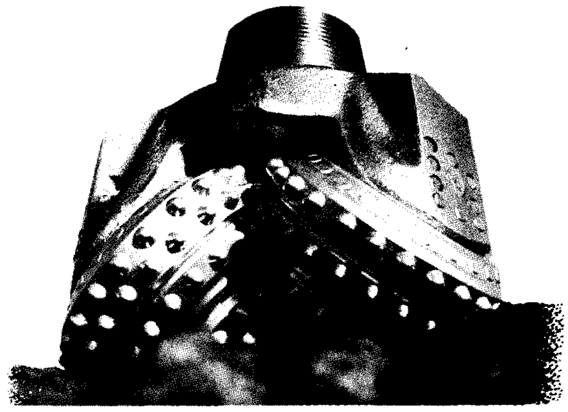
Dear Mr. Botwin:

I am writing to express my support for the United States iron ore industry and its position in the Commerce Department's Section 232 investigation to determine the national security aspect of imported iron ore and semi-finished steel.

First and foremost, how can we as a nation ask the men and women of our armed forces to go to war using weapons systems that will be reliant on foreign sources for the steel that goes into them? Any prolonged engagement could easily find the U.S. totally dependent on the Japanese, Russians, Chinese, or other foreign countries for our steel needs. Our iron ore mines and blast furnaces, once shut down, cannot be put back into production on short notice. In short, this would put the United States in an extremely vulnerable position. An item as simple as a ball bearing would freeze the necessary mobilization of troops and equipment.

There are several other considerations that must be addressed. The iron ore mines of Minnesota and Michigan are located in rural areas that rely heavily on the economic activity generated by the mines. If the mines are forced to cease or drastically cut production the impact on our communities will be devastating. The ripple effect of losing basic mining jobs will travel throughout the local economy.

County, city, and township governments will be faced with providing services with a diminished tax base to draw revenue from. When the miners and the workers who provide goods and services to the mines leave, what will happen to the housing market? What happens to our school systems? Please tell me exactly "what" will fill the void when the major economic player leaves the table? Our trade policies must take in to account their impact on hard working taxpayers and the institutions they support. Free trade is one issue, but the FREE DUMPING of steel is illegal!!!



ROCK BIT

1401 WEST CHESTNUT STREET, VIRGINIA, MN 55792, U.S.A.
218-741-8191 • 218-749-I 180 • FAX 218-749-3002

March 31.2001

Mr. Brad Botwin, Director
Strategic Analysis Division
Bureau of Export Administration
U. S. Department of Commerce
Room 3876
Washington, DC 20230

Dear Mr. Botwin:

We strongly support the United States iron ore industry and the Department of Commerce Section 232 investigation to determine if our iron ore industry is vital to national security.

Our small manufacturing company is situated in the heart of Minnesota's Mesabi Iron Range. The Mesabi Iron Range should produce some 40 million tons of taconite pellets from six operating mines in 2001. These pellets are shipped to blast furnaces of steel producers to make the steel which forms the foundation of our country's economy.

Our company derives 100% of its revenues from manufacturing rock bits consumed in the mining of low grade iron ore(taconite) in mines in Minnesota and Michigan.

LTV Steel recently filed chapter 11 bankruptcy and permanently closed their taconite mine and processing plant located 25 miles from our business. This eliminated the jobs of 1,400 steel workers and possibly double that number in related vendor/supplier layoffs from the loss of LTV's business. Our company lost a significant amount of our annual sales revenue and we were forced to terminate employees due to LTV's mine closure.

LTV Steel joined other American steel making companies who have filed for bankruptcy recently. These companies have been unable to compete successfully against a flood of unfairly priced imported steel products. Other mining and steel making companies are on the verge of bankruptcy and permanent shutdown of their operations if changes are not made quickly.

Our remaining taconite mining customers in Minnesota and Michigan are under extreme pressures to reduce costs to compete against a global iron and steel market. These foreign producers operate under different economic and governmental conditions and regulations which allow them to produce and export to this country an unfairly priced product. Whether it is iron ore, semi-finished or finished steel product, it makes no difference. These imports help eliminate American jobs and will eliminate an American mining industry unless these imports are controlled.

Iron mining contributed $1.5 billion into our state's economy and provided almost 20,000 well paying jobs to Minnesota residents in 2000. Iron mining is absolutely vital to the economic

ROCK BIT

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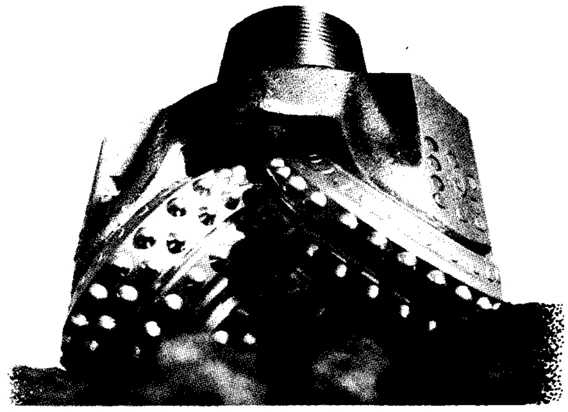

Mr. Brad Botwin
March 31, 2001
Page Two

survival of northern Minnesota. Iron mining is also a significant part of the economy of the upper peninsula of Michigan, which has two taconite mines and related pellet making plants. The steel

making facilities located in other states, which use our taconite pellets, have significant economic impacts for their localities also.

America must maintain its ability to mine taconite and the capacity to convert pellets into finished steel products. It would be a fatal mistake to ignore our basic iron mining and steel making capacity and rely totally on foreign sources. Once the mining is stopped it will not be restarted easily. Our country will not be self sufficient if there is a world wide steel crisis. Our country would be held hostage by the steel making and exporting countries who are currently flooding our country with their product.

We respectfully request that the Department of Commerce find that the Iron Ore/Steel Industry is vital for our national security. This is a basic industry which is vital to the continued success of the American way of life.

Thank you,

David R. Klima
President
Superior Rock Bit Company

minnesota power / 30 west superior street / duluth, minnesota 55802-2093 / 218-723-3958 / www.mnpower.com

David J. McMillan
Vice President, Strategic Accounts Marketing
Fax 218-723-3999
E-mail dmcmillan@mnpower.com

April 9, 2001

Brad Botwin
Director
Bureau of Export Administration
U.S. Department of Commerce
Room 3876
Washington D.C. 20230

Re: Domestic Iron Ore Industry

Dear Mr. Botwin:

I am writing in support of the Section 232 investigation requested by Representatives Stupak and Oberstar related to the ongoing viability of the domestic iron ore industry. I have read the criteria the Department of Commerce uses to determine national security interest. I believe that most of these criteria can be applied to the iron ore industry.

Excessive Imports Threaten Domestic Iron Ore and Our Steel Industry.
As the primary raw material supplier to the domestic steel industry, the U.S. iron ore industry is at risk for significant downsizing due to problems with steel imports. Steel is critical to the U.S. economy and domestic iron ore is critical to domestically produced steel. Unfairly traded imports have driven steel prices in this country to extremely low levels a number of times in the last few years. These imports threaten to significantly and permanently reduce steel mill production in this country. Lower steel production in turn threatens the economic viability of domestic iron ore mines.

Domestic Iron Ore Production is a Highly-Sophisticated Process.
A very high percentage of iron ore mined in the United States is of low grade when compared to iron ore mined elsewhere in the world. This low grade ore, called taconite, cannot be extracted from the ground and shipped directly to a steel mill. This ore must be "beneficiated" or upgraded through sophisticated processing, into taconite pellets, before it can be sent to steel mills. In Minnesota alone, the taconite mining industry has invested nearly $1 billion in the last decade in advanced technology and equipment to maintain competitiveness.

Ore Facilities Require Lengthy Lead Times for Re-Opening.
Because of their complex operations, taconite mines are difficult to restart once they are shut down. The current downturn in the US. iron ore (taconite) industry could result in the eventual loss of over 5000 mining jobs in northeastern Minnesota. Additionally, close to another 15,000 people in our state are employed providing specialized goods and services to the industry. Should this occur, the majority of US. capability to produce iron ore----the vital raw material of steel production----would be lost. It takes a great deal more time to restart a taconite plant than it does to shut one down. When a plant closes, vital equipment is usually sold. Skilled staff would disappear from our region because there are no other meaningful employment opportunities in this part of Minnesota. If we do not have skilled employees in the region and the specialized equipment is gone, several years would be needed to restart a taconite mining and processing operation. In a time of great national need, we would not have the luxury to wait that long. We would be in a position of dependency on foreign iron ore supplies.

The U.S. Should Not Depend on Foreign Iron Ore.
The U.S. cannot afford to have its iron ore producing resources weakened to the point where we are reliant on other countries for this critical raw material. With steel required for basic infrastructure such as roads, bridges and buildings as well as military applications, iron ore, in the beneficiated form of taconite, is an essential ingredient of U.S. economic and political security.

I respectfully ask the Department of Commerce to find the United States iron ore industry essential to national security under Section 232 and protect it as such.

Sincerely,

David J. McMillan mlh

David J. McMillan

c: Tom Bergh-NEMDA

April 27, 2001

Mr. Brad Botwin
Director Strategic Analysis Division
Bureau of Export Administration
United States Department of Commerce Room 3876
Washington D.C. 20230

Dear Mr. Botwin:

As an employee of California Steel Industries, Inc. of Fontana, California, I am very concerned about the recent proposals to limit imports of semi-finished steel (slabs).

CSI has been a profitable company since its inception in 1984. Unlike employees at most other steel mills in the United States, I have never been laid off from my job. My family and I have benefited from good pay and benefits.

CSI produces and ships nearly half the carbon flat-rolled steel consumed in the Western United States. We have modernized our facilities to more than double our steel production. The profitable success of our company is based in our ability to buy low-cost slabs from an open and free world market. There is no routinely reliable source of slabs in the United States, because most steel companies who make slabs do so for their own finished product needs. If anything, they also buy imported slabs to augment their own slab production.

If quotas of any kind are put on imported steel slab, CSI will be seriously hurt, and my job, my family, and my friends will certainly be affected. I ask for your support in ensuring that my company and my family can continue to survive and prosper for many years ahead. Please do not allow restrictions of any kind to be placed on imported steel slab.

Sincerely,

Ronald J. Maiorano

Ronald J. Maiorano
2046 Redding Way
Upland, CA 91784

Granot Loma Inc.

P.O. Box 69
800 Carp River Road, Ishpeming, Michigan 49849
Telephone (906) 4855833

March

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Mr. Brad Botwin
Director of Strategic Analysis,Div.
Bureau of Export Administration
U.S. Department of Commerce
Room 3876
Washington, D.C. 20230

Re: Comments on Slab Steel Imports

Dear Mr. Botwin:

Our corporation first submitted an init: ɔ your office on Feb.23, 2001. This was in r eel imports and its affects. The highlight of tter was the need for some new-concepts and pro r area, this would be some grant programs to entice new-business to our area. If grants were available. ..our corporation would submit a 1½ Billion dollar business plan that would generate approximately 20,000 new jobs through out the country including the states of Michigan and Minnesota. This business plan is ready to submit. At this time, I am submitting for your consideration an Executive Summary of our business plan for Dept. of Commerce consideration. In my biased view...our corporation will bring many new jobs to this hard hit area of Michigan and Minnesota.

Under Department of Corrections (Justice)1 believe our business plan can be funded thru (16.602). The essence of our business plan is to provide meals to all Federal Correction facilities, provide a ONLINE record available to.Corrections and the courts, and lift all liability from the Federal and state governments.

In closing if Commerce indicates an interest in reviewing our business plan, we shall forward a copy to you. It is a fabulous plan but the shear volume requires a grant-startup.

Sincerely

GRANOT LOMA INC.

Russell Kahman

Russell Kahman **CEO**

EXECUTIVE SUMMARY

HISTORY AND MISSION

Granot Loma Inc. was established as a Delaware corporation in 1990 to acquire the local Granot Loma Lodge. This is a renowned Lake Superior Lodge approximately 15 riles north of the City of Marquette Michigan. The corporations objective is to acquire and convert the 12 million dollar lodge and its 5200 acres of land into a commercial operation- This will he achieved by establishing a 4-Divison, global food sales and processing plant in the City of Ishpeaing Michigan. The corporatio#has already acquired the necessary land for this food distribution center bup purchasing an Ishpeming Fish hatchery. The purpose of this site was to provide us with an Aqua-culture site along with land for expansion. Our initial operations will be based on Aqua-culture, commercial fishing, and purchasing fish from commercial licensed fisherman-These fish will come from both the American and Canadian waters of the GReat Lakes, Georgian Bay and the other Maritime Providences on the east and vest coasts. All of this will he done vithout altering the lodges natural charm and potential- The corporate business plan will convert the lodge property into several "Profit-Centers-. The lodge with 26 sleeping rooms will be converted into a bed and breakfast facility- Further expansion, (vhen financially feasible) will include the addition of 100 new suites to bring the lodges capacity up-to 126 rooms-

Our current site is currently used as the General Offices of the corporation and the center of all of our corporate activities, The corporation has completed the plans for adding tvo Canadian plants in Canada. One plant is scheduled for Sault Ste Marie Ontario and the second plant will be located on the St. Laurence River at the boundry line betveen Ontario and Quebec. Both detail plans have been developed and submitted to the local Development Agencies. All of these plans, terms, and conditions have the initial approval of both executive directors of these Canadian Development agencies. The four basic divisions of the corporation will be as follows;

MARQUETTE	-LODGE,RESORT,WINERY AND FISH OPERATIONS.
*ISHPEMING	-FISH HATCHERY,GLOBAL SALES,FOOD PROCESSING.
CORNWALL	-FISH PROCESSING AND EXPORT SALES.
SAULT	-FISH PROCESSING AND EXPORT SALES.

* SITE ALREADY OWNED BY TBE CORPORATION-

STATEMENT OF PDRPOSB

Granot Loma Inc. seeks to sell shares of equity in our corporate stock to 5 or 6 investors or to arrange for loans from banks or other institutions in the total amount of $750,000.00. If your bank or institution has a low loan limit combining 5 or 6 loans for $150,000.00 each will form a consortium that would provide the necessary required capital to implement this business plan. The purpose of this funding will jump-start our 4-plant, American and Canadian operations as the Canadian plants are already funded with committments from the local development agencies in Canada. The $750,000.00 capital raised will be used to expand our Ishpeming Michigan site and will include a nev food processing building, establish a global internet link and include the installation of our world wide computer center, Funds will also be used to make renovations and capital improvements to our existing fish hatchery located in Ishpeming Michigan USA. A portion of these funds will be used by the corp. to maintain sufficent cash reserves to successfully start and expand our global operations.

It is the corporate intent with this startup of the food processing center in Ishpeming Michigan USA to develope and market frozen food fish dinners to institutional customers. Some of our first customers will include colleges, hospitals, prisons, and cruise ship lines on the east coast. This is an over view of our expected global operations. One cruise ship often serves 9000 meals per day. Non fish selections of meals will be outsourced to other suppliers as the need to grow this market grows. The corporation will manufacture a frozen fish dinner in Ishpeming Michigan and we will outsouce other menu selections such as pot roast, barbequed ribs, chicken, etc. Our business as outlined in the business proposals is only based on fish dinners once or twice a week

DESCRIPTION OF THE FISH MARKET

Granot Loma Inc. intends to provide premium quality seafoods to the global market at the wholesale and retail level thru a corporate subsidiary known as "Northlands Pride-USA". While there is a huge food demand from 6 Billion people, the corporation intends to cover this global market in a step by step process starting first with institutional customers in the USA. This 7-year Billion dollar proposal Only e rs the instituional customers and not the other wholesale and retail market outlets in the world, Our primary global market includes the USA, Canada, S-America, Asia, and the E-U.

FINANCIAL PLANS

Currently, the corporation does not have millions of shares of stock to sell to thousands of investors, While the corporation is a regular Delavare corporation, it is registered and authorized to sell up to $40-million dollars of stock, The corporation is only looking for a very small group of investors- Basically, the corporation is looking for six or seven investors capable of investing 100 to 150 thousand dollars each, With regards to one investor, a single investment of $750,000.00 would be required. As to commercial entities, Banks, Bidco's, Venture Capital firms and bank holding companies an association with us will make you a power-house in Marquette County in a few short years. The corporation has discussed Venture Capital with several providers who all want to provide money after we are in operation- As the old saying goes "Banks always want to lend you money when you don't need it!" If- you expect a substantial return on your investment, you will need to- take some risk now... upfront. I can only assure you that this offer will not be made to you again.

The returns projected herein are based on a (Billion) dollar gross during our first seven years with a net of several hundred millions of dollars. The return on investment can be easily figured out by you. Please study the Cash-FLow Summary and our yearly analysis of the annual cash flow. While our preference is an equity investment, the corporation will consider a "Loan" from a bank or investment company because a loan to our corporation most probably will be paid off at the end of the 7-year proforma period as shovn in our projected Cash-Flow and Ad Hoc Budget. With an equity investment in our stock, your returns will go on,on, and on until you terminate our association, Many food companies are over 100 years -old. Many pay handsome dividends to shareholders. gelling fish may not be as glamorous as high-technology but it will be around a lot longer, making better money?

Currently, as of the preparation of this business plan, the corporation has no long or short term debt- Our Ishpeming facilities were bought with cash and are currently free and clear except for taxes, The only long-term debt is $235,000.00 that is owed to Mr. Russell Kahman who has funded the corporation todate and owns 57% of all corporate shares of stock. This money is due and payable upon a written request for payment from Mr. Kahman. These funds are not expected to be repaid any time soon as Mr. Kabman is permitted to accept corporate shares in full payment of his loans to the corporation. Should you join us as an investor, you would become one of the first and "Founding Father" investors. As such...you will have the most to gain as we are successful. At this time, I cannot say for for sure that no other investor will be invited to join the corporation, but in all probability no other investors will be invited to join the corporation as an investor-

GRANOT LOMA LODGE PURCHASE

The source and amount of capital to purchase and operate the Granot **Loma** Lodge is set **by** the corporation at a total of **$13,000,000.00.** These funds **will** be accumulated from the corporations commercial-fish-operations during the first **4-year** of operations **according** to the corporate business plan; In addition to shareholder dividends paid on a yearly basis, the acquisition capital will be set aside according to the corporations business plan. **Mr.** Thomas Baldvin, of Chicago, is the current **owner** of Granot **Loma** Farms and the asking price **was** set at **$12,000,000.00.** It is expected to require an additional one million dollars to make-modifications and improvements, An alternative to capital accumulation vould be the sale of additional stock or the pleging of stock to a Venture Capital firm- Such action vould require a majority vote of all shareholders- In addition, the corporation believes that as we move from the start-up phase to normal operations, the positive direction of the corporation vould warrant mortgage loans **by** a local bank **or** financial institution, **With** a successful track record and the money velocity of hundreds of million dollars, I vould expect that local banks will be bidding for the corporations business- Time **wise...** the purchase of Granot **Loma** is expected to be made during the fourth pear of our seven year business plan,

GRANOT LOMA LODGE-MAJOR PROFIT CENTERS

The Granot **Loma** lodge itself **will** be the first-profit-center of the 5200 acre complex. The corporation **will** operate the property and lodge as a **"Resort"** in a **comercial** manner- The lodge building in our plans is expected to be converted to **26-rooms.After** conversion, the lodge **will** be opened vithin 45 days as a Bed and Breakfast facility- This will also include ancillary services such as a full service restaurant vith **alcohol.** The second-profit center **will** be the mountain **which** has a gentle **300'** rise, This mountain **will** eventually be developed as a ski-run facility with very little expense under our business plan- Instead of installing expensive **chair-lifts** in the beginning the corporation **will** become an **"Argo"** dealer in Marquette **County** and utilize the eight vheeled vehicles for rental income in the summer and vinter, In addition the- -Argo- vehicles **will** be used for snow ploving and a chair lift in the vinter months, Please see the **"Argo"** section on the video tape supplied vith this business plan. A **third-profit-** center **will** consist of several vans that will transport Granot **Loma** guests to visit the **Suntrack** facilities in the **Ishpeming/** Negaunee area. **Other** daily shuttles **will** take guests to the **K.I.** Sawyer International Airport and on veekends **will** run from the major malls and Northern **Michigan** University to transport people to the lodge for weekends..

GRANOT LOMA LODGE-MAJOR PROFIT CENTERS cont.

The high quality of the Granot Loma Lodge will help expand the counties Suntrack and Tourist related operations by bringing in to Marquette county many International visitors, One source of nev visitors to Marquette County will be by using the Granot Loma Lodge to host International Wine Shows. In conjunction vith the Granot Loma Winery many lst-time visitors can be dravn to Marquette County from the Midwest and foreign countries. An example of this is the German cruise ship that will make Marquette a port-of-call starting this Year, The Granot Loma Lodge is a unique and plush facility and as such vould add a "Premier" resort to our existing county facilities. As the detail plan for Granot Loma is about 5" thick it can not all be presented in this executive summary, However, the Granot Loma farms barn will be the fourth-profit-center after after it is converted into the Winery. The product will vholesale for $9-95 per bottle and retail for $19.95. The vine tasting rooms and our future Wine & Dine franchise system will allov the corporation to receive retail prices for much of our wine. This is also a high profit product and getting retail for a product that ve produce doesn't hurt: The last profit-center to be listed in this executive summary is the vooden products profit-center. It is important in that it is a natural product and is functioal to the winery. The products produced will be sold globally on the Internet. The vood products division will make many different kinds of gifts and laser art objects for sale on the Internet Global Market- We will also make vooden vine cases for our Wine.

COMPUTER SYSTEMS-2000 AND BEYOND

As the total Internet sales is expected to reach $327 Billion dollars in 2002, the corporation expects to have a major presence on the Internet. Northlands Pride fish hatchery has already been listed and ve will have a large corporate presence displaying all products, services, and Granot Loma Lodge- If Your a business man You probably knov that retailing is important but it is not the dominent force in our economy.E-Commerce (all internet transactions) is huge and growing and will be the dominent force in the Year 2000 and beyond. Small and medium size concerns neither have the time nor the resources to pursue E-Business- This can be a fatal logical flav in business thinking. A basic Web presence can be obtained for less than $100,000.00 a Year in design and maintence. A highlp strategic business transforming endeavor can cost several million dollars to develope and maintain. We expect to put the corporation online. This effort will be directed by our corporate CEO, vho has spent 35 to 40 Years in data processing including personal computers, The key to inter-net success is knowing vhat is feasible and vhat is cost affective. The corporation is ready to start implementation as soon as the Y2K Bug has past. The corporation will be ready. Our Y2K development program will not cost us one extra penny. No lavsuits, no extra costs-...

ISHPEMING FOOD PROCESSING CENTER

The corpoate capital requirements to build and start-up this facility will amount to $750,000. This large amount of capital is the reason the corporation is selling stock in the corporation. The corporation wants to sell equity shares of stock in our corporation. Our first choice is one investor or group to handle our $750,000.00 need, To give more people the opportuniy to achieve vealth, the corporation would consider 6 or 7 investors, each investing from 100K to 150K in the corporation, Six or seven investors of this caliber will provide sufficent capital to implement this business plan, The seven year busuness plan will be implemented using our currently owned land in the City of Ishpeming- All of our operations are "Verticle-Operations". In the case of the corporate fish operation this means that the corp. controls the life-cycle from initial fish eggs to consumption by the public. All costs, sales and the price of the final product will be controlled by the corporation. All processed Canadian fish will be flown from the Sault and Cornwall plants into our Ispeming Food Preparation Center. As a component of the dinner to be produced at our Ishpeming facility, the corporation will use lov Canadian costs and the "NAFTA" loophole established by the auto companies to keep tariffs and taxes low,

CANADIAN FISH MARKETING

While the corporation will export both natural and aqua-culture site fish from Canada to the corporations proposed fish and food processing plant in Ishpeming, Michigan, USA, these fish will be sold in the USA market first. Under verticle control, the corporation wants to retail these fish to the institutional market- The institutional market consists of colleges, hospitals, prisons, and the Cruise Lines on the east and west coasts which often serve 9000 meals per day.

As all of the fish will be sourced from our corporate facilities in Canada, costs will be reduced by a minimum of 37% as each dollar of sales in the USA will be converted into $1.37 to cover the corporations Canadian costs- This is achieved thru the currency differential betveen the United States and Canada- Sound important ? It amounts to $180,411,360. over the seven year business plan cash-flov and ad Hoc budget of the corporation. You will find all of these details in the Currency Conversion section of this business plan. This is based on our cost of fish sales for the seven year proforma period. For the seven year period, the gross retail amounts to over <u>one billion dollars</u> in retail sales-

INTERNATIONAL-COMMERCIAL FISHING OPERATIONS:

The Granot Loma commercial fish division will be operated as a corporate subsidiary, vith a trade marked product, through out the vorld as "Northlands-Pride". Our 10.3 Acre Ishpeming Michigan site will provide sufficent land to house the existing hatchery; capital improvements to the hatchery, and a new building to house our corporate offices, Sales headquarters and the processing and global distribution center. One important item that will keep the corporation on the cutting edge of progress with our fish raising and Canadian operations -is+ the use of "NAFTA" laws. The components of a complete dinner will be a-great finanncial advantage in addition to lower costs. One of the reasons for marketing stock to potential investors is to provide the necessary capital vithout debt.

Our planned fish processing sites in Ontario-Canada will include facilities at Sault Ste Marie Ontario and the City of Cornwall Ontario- The Saulte Ste Marie plant will process basically Walleye, Rhftefish, and other ocean species of the same basic size and type. This diffent fish will include some COD and other commercial fish caught in the area of the Grand Ranks and the vaters to the north of the grand Banks. As the corp. plans to develope and be a verticle operations in all divisions, this simply means that the corporation will hatch, raise, catch fish with our fishing fleet, buy commercial, and market these fish at the vholesale and retail level.

The Cornwall fish plant will be similar to the Saulte Ste Marie facility. The primary difference will be in the type of fish processed. The Cornvall plant will process basically the Great Lakes "Yellow Perch". The plant will not be restricted to only perch as the equipment used to clean and process fish is variably adjusted to handle all sizes and types of fish- In addition, the corporation vi11 purchase abandoned gravel pits in the area of these tvo plants to establish agua-culture sites. In this manner as the oceans become depleted of fish, our long term agua-culture sites will be producing the necessary fish to meet our contract institutional customers. Once the Granot Loma lodge is acquired, all operations will be moved to the 5200 acre site- Fishing would also be expanded in Lake Superior vith the permission of the Department of Natural Resources.

This executive summary was designed to provide you vith all of the important information needed to decide on this investment. A more "Detail Plan' is availble for examinations and all you have to do is leave your address and telephone number on our recording devise. The telephone number is: 1-(906) 485-5833.

DESCRIPTION OF CORPORATE PROPERTY OWNED

Granot Loma Inc. currently ovns 10.3 acres of land including a fish hatchery in Ishpeming Michigan USA, On this property are tvo rectangular buildings, a garage and two cylindrical formed concrete vater reserve tanks- The site is located approximately .3 tenths of a mile north of the Country Village Shoping Mall in the City of Ishpeming. The-mall is a nevly developed mall and contains several retail stores, The road leading to the fish hatchery is called North road,

The roads location is the first road immediately vest of the Cinema V mall theater, The length is about ½ mile long and ends at the fish hatchery, It is clearly identified as "Northlands Pride Fish Hatchery, Should you desire to visit us at this location I vould be pleased to shov you around . and spend some time vith you to discuss our plan on the opportunities of our proposed global operation, Ishpeming development is also moving in the direction of our property. These nev developments consist of a nev paved road, motel and several apartment buildings which are nov under construction. Approximarely 5 acres of our land is surrounded by an 8" high cyclone vire fence vith 3-strands of barb-vire at the top. You will find a section of material highlighting the hatchery in this proposal- Since the corporation moved to Ishpeming from (Kentvood Michigan-A Grand Rapids suburb) in 1995, the corporation has and will continue to rennovate the fish Hatchery vith another $150,000.00 in Capital Improvements,

The primary purpose of these improvements is to install a re-circulating vater system to supplement our existing supply, The corporation also plans to enclose all outdoor fish runs, This v-ill offset the generally harsh vinter climate, including much snov and ice thats makes it difficult to raise fish during the vinter months- Lastly ve vant to look at some solar povered facilities to heat the vater during the winter months. Todate, the corporation has been funded by the promoter, Presdent, and CEO. of the corporation. Mr. Russell Kahman is also the sole shareholder of the corporation vith a holding of approximately 57% of all corporate stock- Todate, Mr. Kahman has loaned the corporation approximately $235,000.00 as of the preparation of the corporate business plan-

CASH PLOW ANALYSIS

The monthly cash flov report **will** address the corporations 7 year business **plan.** The plan is divided into 3-Sections herein **known** as a **(Pre-Summary),(Revenues)** and (Post-Summary)-

PRE-SUMMARY

Page # 1, **will show** the projected revenues of all four plants in the USA and Canada. The plan also shovs **how** the corporation **will** earn extra dollars **thru** currency conversion of deposits made into Canadian **Banks.** The corporation expects to have a 7-year, 4 plant, revenue : total of **1,169,944,612.** This is a one billion plus projection for a **new** corporation after **7-years.**

Page # 2, **will show** the earnings per plant, each year. along vith totals for gross revenue- In the Canadian plant section, you **will** also see a middle column called 37% conversion, This is the amount of money earned by the corporation **when** the USA Ishpeming Food Processing Plant pays its ovn subsidiaries for fish, This is done by cutting a check in **U.S.Dollars** from the USA plant to the Canadian plants vho then deposit these American funds into Canadian **Banks.** An **example** on Page # 2, line 1, shovs that the Cornwall Ontario plant, for the year 2000 indicates gross sales to the Ishpering, **Michigan** USA Food Distribution Center amounting to **$7,680,000.** When these American dollars are deposited into Canadian **Banks,** the Canadian Plant-will earn,,; **$2,841,500. thru** Currency exchange. Overall, this currency exchange over a 7-year period **will** earn a Grand total of **$180,411,360.thru** Currency conversion-

REVENUE SECTION BY MONTH

The body of the form shovs **12-months,** per page, along vith other coded information as to the number of fish fillet sold per veek, price and the number of **new** institutional customers needed to meet our business plan. It also shovs a fish cost and selling price in the USA **sheets. Based** on our corporate **projections** the corporate Sales **STaff** need only sell 4 institutional customers per month to meet the corporations sales and revenue **projections.**

POST SUMMARY

This is the corporations analysis of projected 7-year operations in Canada and the USA-

CASH FLOW-POST SUMMARY

This is a corporate analysis done by the'corporation to determine just hov well the corporation will be doing over the first 7-years of verticle-operations. This international verticle-operation is a very important factor in our projected business success- The corporation wants to point out to you that the billion dollar-5 gross is the minimum level of success and is based on a nev startup business.While our plan is to supply fish and seafood products through out the globe-in both the wholesale and retail segments of the world market. This billion dollar 7-year plan addresses only our corporate startup and covers only a very small segment of the global market, This plan is based only *on* 283-institutional customers in the eastern and midwest of the United States Market. Our institutional customers include hospitals, colleges, prisons, and Cruise ship companies, This plan does not address other segments of the market such as Franchise Retailing, vholesaling or exporting to other countries.

The corporation recognizes that no institution can or will eat fish every day so overall the corporation will have to do much better in the future to grov our business, After the corporation gets into institution installations we will then provide a variable menu such as frozen dinnrs such as chicken, veal, roast beef, beef stev, spagetti, Barbeque Pork and pizza. In this manner, the corporation believes that after our first dinner is introduced to the institutions, we can then "Outsource" other meals to the giants in the USA and Canada to provide a variable menu of other food selections- Some examples of out-sourced suppliers vould include ConAgra, Swansons,Banquet and Van De Camps, Our projected large scale purchases from these giants will bring them into the pikture as partners rather than competitors. Lastly, our institutional customers will go under contract when they accept the variable menu. In business terms, this also means a 6-fold increase to 6-billion gross instead of l-billion as projected, Outsourcing also means that ve will meet our contract committments on time without additional capital expenditures for new plants, if we should chose that route.The capital expenditures could then be re-routed in aguaculture sites or to build our marketing facilities in other countries that the corporation vishes to penetrate- This could include such areas as Mexico, Canada, S-America and the EU. and SE Asia-

For example, our Asian market vould be located in Hong Kong, and would supply both China and S.E.Asia .

POST SUMMARY-PERFORMANCE

At the end of year 2006, the corporation will examine how well the corporation has performed for its shareholders. as herein outlined in this business proposal- All of our basic plans are here in black and white for everyones consideration, This is a full and complete disclosure and is more data than any other International corporation has or will ever provide to potential shareholders, As CEO of the corporation, Russell Kahman has prepared this corporate business plan of our 'I-year business plan that will at a MINIMUM generate a one Billion dollar 7-year gross as shown. Mr. Kahman, CEO expects that the corporation can and will do much better. The reason has been outlined in this plan,

With regards to your Return-on-investment (ROI) outlandish claims are not permitted by the Securities Exchange Commission. Mr. Kahman does not consider these numbers to be anything other than truthfull and honest and the corporation stands by the projections of this business proposal- Based on meeting the capital figures outlined -in this proposal, and as Mr.Kahman currently holds approximately 57% of all stock in the corporation, he vould put forth a motion for consideration of the Board of Directors of the corporation to pay dividends of $10,000.00 per share during the first 7-year start up period as outlined in this business proposal. This is not a type-oh? Based on the gross projetion as outlined your original cost per share will be returned to-you in the form of dividends as our Founding-Father Investor Group, We can do this as the total number of investors will start at seven and it is not antisipatedthat any other shareholders will be invited to join the corporation in our corporate endevours. Lastly, our bottom line of hundreds of millions justify consideration of these types of dividends.

POST SUMMARY-CAPITAL ACQUISTIONS

In reviewing the performance of our Verticle-Operation, capital acquisitions are very important. bets examine the 1st 7-years.

DESCRIPTION OF ASSETS	AMOUNT PAID
THE GRANOT LOMA LODGE +5200 ACRES....	$12,000,000.00
(2) DC3 CARGO PLANES..................	$ 9,000,000.00
(3) FISH AND FOOD PROCESSING PLTS....	$ 2,250,000.00
(5) SEMI-TRUCK CABS @ 100K EACH+	$ 600,000.00
(1) WINERY AT GRANOT LOMA............	$ 250,000.00
TOTAL CAPITAL ACQUISITIONS	$24,100,000.00 *

POST SUMMARY-PERFORMANCE

The seven year corporate cash balance consists of cash in USA and Canadian Banks. Also included is the amount of 90-day, U-S-Government Treasury Bills own by the corporation. These figures include Canadian funds with a "Reverse". conversion value of U.S. dollars, on deposit in a U.S. Treasury Account and are shown in US$. Lets examine hov well the corporation has done over seven years and see what has occured besides accumulating $24,100,000.00 in capital assets. The totals of cash and U.STreasury bills are as follovs;

(7-YEAR CASH BALANCE)

LOCATION & DESCRIPTION OF CASE	AMOUNT
CORNWALL CAN. -REVERSE CON. To US$.	$22,011,990.00
SAULT CANADA -REVERSE CON. TO US$.	$33,218,580.00
CORNWALL CANADA-U.S.TREASURY ACCOUNT	$10,000,000.00
SAULTCANADA -U.S.TREASURY ACCOUNT	$30,000,000.00
ISHPEMING, FOOD PROCESSING BANK ACCT.	$74,048,865.00
GRANOT LOMA -CASH ONLY	$37,613,698.00
ISHPEMING -U.S.TREASURY ACCOUNT	$20,000,000.00
TOTAL PRE-TAX GROSS:	$226,893,133.00 *

(7-YEAR TARES & DIVIDENDS.)

40% U.S.CORPORATE TAXES..................$52,665,024.00 ✓
6% GENERAL SALES TAX (GST).............$ 6,818,442.00
CORPORATE DIVIDENDS,10K+4.............$11,350,000.00
ALL OTHER TAXES INCLUDING LOCAL......$ 5,000,000.00
TOTAL TAXES & DIVIDENDS..$75,833,466.00 *

7-YEAR NET AFTER DIVIDENDS AND TAXES.....$151,059,667.00 • *

- TOTALS
- * BOTTOM LINE NET PROFIT, 7-YEARS

MARKET ANALYSIS ✓

Market demand, changes and trends alvays occure. The Sales staff of Northlands Pride, USA discovered a market demand that is currently not being met by any major firms in the industry.•This is the prison sector of the institutional market. Northlands Pride-USA is the first firm to recognize a state and national problem in our state prisons. The corporation will also be the.first to vork to correct this problem. Correcting this problem will be an important segment of our institutional business to fill this niche vith a nutritional meal, meeting many of the daily nutritional reguirements such as Vitamin A & C, carbohydrates, protein, Fiber, Sugar, Sodium along vith saturated fats, It is our corporate intention to address, this state problem vith uniform, prepackaged meals that can be used by state institutions to meet the nutritional reguirements of human beings in their care. Providing our meals will also reduce the states liability for negligence in not meeting the nutritional reguirements. Our meals will also facilitate the unique problems associated with incarcerations- This unique problem occures vhen an inmate percieves that the man in front of him got a larger portional of food than he got. Our standard, equal portions will reduce prison-fights as every meal will be standard and equal.in both portion and nutrition. Solving these problems will make "control" much easier and the inmate will be happy vith the quality and portions of our meal.

It is our corporate intention to manufacture one of the finest lines of frozen dinners and entrees available anywhere vithout the use of added preservatives, salt, MSG, or Flavor enhancers. The corporation will utilize clean, vholesome fish fillet, vegetables and grade AA butter and fresh spices. Blending of these spices will produce a superior tasting product which is nutritious and wholesome. Our production fish dinner is an opening product to test inmate re-action to this type of meal. After providing these fish dinners for a couple of weeks ve vould vant to negotiate a contract vith the state before developing six other meals for consumption.

Some of the other meal selections could be Chicken, roast beef, Barbeque Pork, Veal, Spagetti and Pizza. Our corporation with funding will address this state and national problem as our number 1 priority.

MARKET ANALYSIS cont.

Granot Loma intends to build a **verticly-integrated corporation** in the fish industry **thru** our Canadian and **USA** facilities **known** as **"Northlands Pride-USA"** and **Northlands** Pride-Canada, The subsidiaries have **many** markets available to the corporation. **While** fishing is one of the oldest food **industrys** through out the **world most** marketing is done on a local and **regional** basis, **Verticle-Integration** in the fish industry is generally only done by the giants of the fish **industry.These** super giants are very fev in number. -The current **market** scope is basically local and regional at the **same** time. Individual **fishermen** generally **sell small** amounts of **fish into** the local markets as fresh fish; most **will** also sell into the **Regional** Market and utilize the current **Regional-**distribution-System **whereby** the bulk of Michigan fish caught is shipped to the Detroit area for male in the big City market. Lakeshore transportation is the **dominent** transportor generally circling Michigan on a **weekly** basis, **Northlands** Pride- **USA** of Ishpeming **Michigan will** be the exclusive-selling agent for the corporation's domestic and imported fin-fish at the Retail and vholesale level- Basically **we** feel that there is only tvo basic markets for us. These are our Domestic **Markets** in the USA and exports to other countries. This seven Year plan deals only vith our national market, Specifically,.. institutional customers in that **Market.** As the corporation **grows** or needs to expand **markets, we will** address all of the other markets.

GLOBAL MARKET SEGMENTS
NORTHLANS PRIDE- USA

DOMESTIC ✓ SECTOR	DESCRIPTION	EXPORT SECTOR	DESCRIPTION
(R)	**INSTITUTIONAL RETAIL.** ✓	**(R)**	**INSTITUTIONAL** RETAIL.
(R)	**SPORT,BOAT,TRADE SHOWS**	**(R)**	**SPORT,BOAT,TRADE SHOWS**
(R)	**CRUISE LINE MARKETS**	**(R)**	**CRUISE LINE MARKETS**
(R)	**ALL OTHER RETAIL**	**(R)**	**FRANCHISE UNITS**
(W)	6000 **NAT.FISH WHOLESALERS**	(R)	**FINE HOTELS & RESTAURANTS**
(W)	**SUBERMARKET-GROCERY SECTOR**	**(W)**	**SUPERMARKET-GROCERY** STORES
(W)	**FRESH** FISH **SALES-REG,MARK.**	(a)	**FRESH FISH SALES-EXPORTS**

(R) = **RETAIL MARKETS**

(W) = **WHOLESALE MARKETS**

MARKET ANALYSIS cont.

In todays small world, most suppliers and producers do not sell their products directly to the final user. Being a verticle-Integrated corporation, the corporation has the flexibility of selling vholesale to established wholesale units or selling directly to institutions such as colleges, hospitals, and governmental units of the U.S. and State of Michigan. This will be expanded through out the country. At this time, the corporationdoes not depend on middlemen for sales as the corporations intends to develope its own direct sales staff- These sales staff will sell direcly to institutions and governmental units at the state and federal level, Pricing trends are not expected to fluctuate Very much. This is because of our verticle-integration which controls all avenues of costs as vell as pricing of the finished product, This is the major reason for establishing the corporation as a verticle operation. Verticle operations also allov better price control and provide the opportunity to obtain the highest price possible for our frozen dinner products, fish patties and imported seafood such as shrimp and other seafood. In the commercial supermarket and grocery store seguent of the domestic market, selling at retail is not feasible. Distributors in this sector would provide the highest price attainable for the corporations products.

As to the Sales and payment for goods mst be considered, the first market segment and basis of this corporate proposal is to address the institutional segment of the domestic market as this is considered to be the corporations largest market. In order to do this, the corporation must assign various priorites vithin the institutional seguent ofthe domestic market. As the corporation will be seeking assistance from the governmental units of the U.S. and state governmental units on hov best to correct the food supply problem. The corporation also intends to sell to these governmental units standard. reals at the lowest price possible through out the country. For the corporations food and prepared frozen dinners, the corporation will comply vith and expect payment for goods thru the normal existing payment systems used by each unit of government. The corporation also recognizes that there will be times when payments for dinners can not be made on time, or will be sloved or stopped. Our corporate plan calls for our local banking institutions to cover these slow periods vith a line-of-credit that ve could draw upon during such tines.

COMPUTER SYSTEMS & Y2K PROBLEM

As the total Internet sales is expected to hit $327 billion dollars in the Year 2002, the **corporation** expects to have a major presence on the Internet. The fish hatchery has already been listed and will have a major corporate presence displaying each global facility in the USA and Canada. We pill first use products that lend themselves to Internet marketing. Two initial products **will** include Laser-Art from the **Granot Loma wood working** division and vine from the **winery. With** Your **backround,** I am sure that retailing is important, **however,** it is not the dorinent force in our economy. **E-Commerce** (All **internet** transactions) is large and **growing** and will he the **dominent** force in the Year 2000 and beyond. small and medium size firms neither have the time nor the resources to pursue E-Business, In the future this can be a fatal **assumption for** a small business. A basic **web** presence can be obtained for less than **$100,000.00** per Year in design and **maintenence.** A **highly** strategic business transforming endeavor can cost several **million dollars** to **develope and** maintain. The corporation expects to go online for a one-time fee of **$25,000.00** and a monthly cost of **$6,000.00.** This effort **will** he under the direct control of the CEO. **who** has 43 Years of experience in all aspects of computers and **PC's.** The key to successful **internet** operations is knowing **what** is feasible and what can be cost **effective.Our** corporation is ready to begin the implementation of our Internet and online system as soon as the **Y2K** bug has past on **Jan.10th, 2000.** With many Years in the computer business **Mr. Kahman** is not **aware** Whether **Y2K will** be a major or minor problem. **We** do **know** that the corporation will not have to spend one penny to correct. This also **means** no **lawsuits** or extra costs to the corporation,

MANAGEMENT TEAM

As a great management team is the key to a successful business, the corporation expects to hire and provide the **very**-best-skills to the corporation. The corporations minimum **requirements** to become a team member of management at the vice presidential level are skills in Marketing, Operations, Finance, and experience in completing the plans herein proposed- There are four (4) other items necessary to **become** a member of our corporate-team and these are desire to succeed, character, **ability** to lead and You must have a level of Street **smarts.** The corporation will basically use the **Functional-Organization-**Approach. **Members** of the management team **must** be able to set objectives and communicate these objectives to other **members** of management and the work force under his/her control.

PROPOSED MANAGEMENT TEAM
BRIEF SUMMARY

CEO. PRESIDENT	=	Russell Kahman .Promotor founder 321½ N.6th st .Investment $240,000. Ishpeming,Mich .Owner of 57% Stock
FINANCE PERSONNEL	=	Jim Broderson .NMU Graduate Marq. 730 W. College .V.P. Material Marquette,Mich .Salary and bonded.
FISH SALES	=	PHIL VANLANSCHOOT. GENERATIONAL FISH. 962 CEDAR ST. . COMMISSION-BONDED NEGAUNEE, MICH . POSSIBLE V.P.
AVIATION	=	VITO CARELLO .GEN MGR OF AVIATION CO 2716 N.22nd .AIRCRAFT INSTRUCTOR Menominee,Mich .POSSIBLE V.P.
INFO SYSTEMS	=	BILL H. EBBESEN . N.M.U GRADUATE 602 MONTANA AVE.. XPR.MAC & WINDOWS GLADSTONE,MICH, . INSTALL.CONFIGURE
ISHPEMING PLANT MGR.	=	RICK GARNETT . LEAD TRANSPORTA-ON 600 FIRST ST. . CDL LIC.HEAD TRANSP. ISHPEMING,MICH . SUP.PRODUCTION,CONST
SAULT -CANADA- CORNWALL	=	(2) MANAGERS POSITIONS OPEN

FINANCIAL HIGHLIGHTS

To start up a (4) plant international operation such as Granot Loma Inc. requires a large amount of time,effort and capital. A ballpark figure for this project amounts to $6,000,000.00 in start up capital. Todate, as of the preparation of this business proposal, the corporation has verbal commitments for a total of 5 million dollars for our two Canadian Plants in Ontario. These will be located at Sault Ste Marie and the City of Cornwall. The Granot Loma lodge vith its 5200 acres will be purchased with cash from corporate profits from our fish and food preparation site in Ishpeuing, Michigan USA. The purchase is planned and expected to happen after 3 years of business operations, In our planning the bare bones amount required to build our last proposed Ishpeuing, Michigan facility amounts to $750,000.00 and will provide 69 FTE jobs for Marquette County. This plant will be built on land that ve alreay own at the hatchery. These funds vould require five investors at $150,000. each or one bank or institution investing $750,000.00. The corporation feels that in a small rural county such as Marquette, it will be much easier to find five investors of $150,000.00 than one investor of $750,000.00. You are free to invest any amount of money as you wish in this nev start up in our community. The corporation has the right to accept or reject any application to purchase stock, Possibly You know me, are a friend, or may be a successful businessman yourself. I can only tell You that this-is a one-time offer and it will not be made again to you....

This executive summary is very small as it should be but it also outlines a dynamic plan for Marquette County. If you vould like more detail information please call our hatchery telephone and I will see that You receive the detail plans of our operations. As an investor there is one thing that you must know. You will be investing in the corporation and You will be purchasing "RESTRICTED-STOCK". In simple terms restricted stock means that You cannot sell stock purchased for 3½ years as it is "Capital-Formation" stock to provided the corporation vith capital. In addition, the corporation retains the right of Re-purchase prior to any sale by You. Generally, this is called the first right of re-purchase. You should also keep this executive summary for Your reference. Should You vish to visit our fish hatchery and examine the same, simply give me a call or a recorded message as to when you will stop into the hatchery. I will make it a point to show You around and ve can discuss our business proposal one on one,

Sincerely,
GRANOT LOMA INC.

Russell Kahman

Russell Kahman CEO.

7-YEAR PROFORMA

Granot **Loma** Inc.
800 Carp River Road. P.O. Box 69. Ishpeming, Mich. 49649

CANADIAN
CURRENCY CONVERSION

YEAR	LOCATION	US-DOLLARS PAR	CONVERSION 37%	NET-CANADA	TOTAL
2000	CORNWALL-ONTARIO ✓	7,680,000.	2,841,500.	10,511,600.	
2001	CORNWALL-BNTARIO	15,120,000.	5,594,400.	20,714,400.	
2002	CORNWALL-ONTARIO	20,910,000.	7,736,700.	28,646,700.	
2003	CORNWALL-ONTARIO	25,440,000.	9,412,800.	34,852,800.	
2004	CORNWALL-ONTARIO	31,200,000.	11,544,000.	42,744,000.	
2005	CORNWALL-ONTARIO	38,880,000.	14,385,600.	53,265,600.	
2006	CORNWALL-ONTARIO	49,920,000.	18,470,000.	68,390,000.	
	7-YEAR TOTAL	189 150,000.	69,985,100.	259,122,000.	
2000	SADLT PLT.ONTARIO ✓	8,120,000.	3,004,400.	11,124,400.	
2001	SADLT PLT.ONTARIO	19,680,000.	7,281,600.	26,961,600.	
2002	SAULT PLT.ONTARIO	31,200,000.	11,544,000.	42,744,000.	
2003	SAULT PLT.ONTARIO	42,720,000.	15,806,400.	58,526,400.	
2004	SAULT PLT.ONTARIO	54,240,000.	20,068,800.	74,308,800.	
2005	SADLT PLT.ONTARIO	65,680,000.	24,301,160.	89,981,160.	
2006	SAULT PLT.ONTARIO	76,800,000.	28,416,000.	105,216,000.	
	7-YEAR TOTAL	298,440,000.	110,424,360.	408,862,360.	
	CANADIAN PLTS,7-YEAR CONVERSION		180,411,360.		
			✓		
2000	USA-FISH SALES ✓	21,835,000.			
2001	USA-FISH SALES	47,741,000.			
2002	USA-FISH SALES	72,160,000.			
2003	USA-FISH SALES	93,720,000.			
2003	USA-GRANOT LOMA	00.			
2004	USA-FISH SALES	117,480,000.			
2004	USA-GRANOT LOMA	2,020,320.			
2005	USA-FISH SALES	143,770,000.			
2005	USA-GRANOT LOMA	4,027,923.			
2006	USA-FISH SALES	173,882,000.			
2006	USA-GRANOT LOMA	5,718,369.			
	USA-SALES *	682,354,612.			
	7-YEAR SAULT CAN.SALES	189,150,000.			
	7-YEAR SALES CORNWALL	298,440,000.			
	7-year SALES USA	682,354,612.			
	TOTAL OPERATIONAL	$ 1,169,944,612.			
	GRANOT LOMA ACQUIRED				

WILLKIE FARR & GALLAGHER

Three Lafayette Centre
1155 21st Street. NW
Washington, DC 20036-3384

202328 8000
Fax: 202 887 8979

May 2, 2001

Mr. Brad Botwin, Director
Strategic Analysis Division
Bureau of Export Administration
U.S. Department of Commerce
Room 3876
Pennsylvania Avenue & 14th Street, N.W.
Washington, D.C. 20230

Re: National Security Investigation Of Imports Of Iron Ore And Semi-Finished Steel

Dear Mr. Botwin:

In accordance with the Bureau's notice of April 18, 2001 (66 Fed. Reg. 19917 (Apr 18, 2001)) re-opening the comments period for the above-referenced investigation, and 15 C.F.R. 705.7 (2000), we hereby submit six (6) copies of supplemental comments filed on behalf of Companhia Siderúrgica de Tubarão S.A. ("CST"), Aço Minas Gerais S.A. ("Açominas"); Companhia Siderúrgica Nacional ("CSN"); Companhia Siderúrgica Paulista ("COSIPA"); and Usinas Siderúrgicas de Minas Gerais ("USIMINAS").

If you have any questions regarding this submission, please contact the undersigned.

Respectfully submitted,

William H. Barringer
Christopher Dunn

Washington, DC
New York
Paris
London

130887.1

U.S. DEPARTMENT OF COMMERCE
BUREAU OF EXPORT ADMINISTRATION

NATIONAL SECURITY INVESTIGATION OF IMPORTS OF IRON ORE AND SEMI-FINISHED STEEL

SUPPLEMENTAL COMMENTS ON BEHALF OF:

Companhia Siderúrgica de Tubarão S.A. ("CST")
Aço Minas Gerais S.A. ("Açominas")
Companhia Siderúrgica Nacional ("CSN")
Companhia Siderúrgica Paulista ("COSIPA")
Usinas Siderúrgicas de Minas Gerais ("USIMINAS")

William H. Barringer
Christopher Dunn
WILLKIE FARR & GALLAGHER
1155 21st Street, N.W., Suite 600
Washington, D.C. 20036
(202) 328-8000

Date: May 2, 2001

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PUBLIC DOCUMENT

NATIONAL SECURITY INVESTIGATION OF IMPORTS OF IRON ORE AND SEMI-FINISHED STEEL

SUPPLEMENTAL COMMENTS ON BEHALF OF:

Companhia Siderúrgica de Tubarão S.A. ("CST")
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Companhia Sidertirgica Nacional ("CSN")
Companhia Siderúrgica Paulista ("COSIPA")
Usinas Siderúrgicas de Minas Gerais ("USIMINAS")

I. THE U.S. INTEGRATED STEEL INDUSTRY WILL CONTINUE TO EXIST FOR THE FORESEEABLE FUTURE, PROVIDED IMPORTS OF SEMIFINISHED STEEL ARE PERMITTED TO CONTINUE UNRESTRICTED.

A. The U.S. Steel Industry is Not Threatened With "Eventual Elimination".

The syllogism that has been put forth by a number of comments requesting limitations on imports of semifinished steel runs as follows:

1. "Reliance on semifinished imports will almost certainly lead to the eventual elimination of steel primary and finishing operations in the United States";[1]

2. The elimination of steel primary operations by integrated mills will cause the U.S. to be dependent upon imports for certain types of steel that can only be produced by integrated producers, thereby threatening the national security; and

3. The result will be devastating to the iron ore and steel producing industries in the United States.

The problem with this syllogism, however, is that it is based on a demonstrably false premise. U.S. production of primary steel from iron ore is not threatened with elimination any time in the foreseeable future.

The U.S. integrated steel industry is not a monolith. It is composed of a number of different companies, some of which have modem, efficient blast furnaces and steelmaking shops,

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1 Comments of Cleveland-Cliffs, Inc., Apr. 9, 2001 (hereafter, "Cleveland-Cliffs"), at 5.

some of which have old, out-dated, inefficient facilities, and some of which have a mix of new and old facilities. The number of large blast furnaces with up-to-date, efficient crude steel production facilities remains quite substantial.. AK Steel notes in its comments, for example, that its Middletown Works "is the nation's most productive integrated steel operation."[2] Under almost any conceivable set of assumptions, the facilities of the stronger, more efficient mills are not going to be closed in the foreseeable future. In addition, there are a number of mills with "mixed" production capabilities (companies that have both efficient and inefficient facilities) that can be made more efficient relatively easily and that are not likely to be shut down. The most reliable predictions of steel production estimate that by 2010, there will steel be <u>some 41 million tons of BOF capacity in operation</u> in the US.[3] Thus, although blast furnace-BOF production of steel is likely to be substantially reduced, a significant amount of U.S. integrated mill production will remain in operation profitably for the foreseeable future.

B. There Will Continue to be a Need for Steel from the Domestic Integrated Mills' Blast Furnaces.

There are good reasons why steel produced by blast furnaces will not be "eliminated" in the foreseeable future. Blast-furnace iron, and subsequent BOF steel, permit the production of a number of high quality products that simply cannot be produced by electric-arc furnaces (EAFs). As one well-known commentator has stated:

> We have to ask ourselves would we have better and lower cost steel if we rushed to replace the blast furnace with the alternative iron processes now proven. The answer to this is no! With the blast furnace we have superior iron to make better quality steel and lower conversion costs

2 Comments of AK Steel, April 9, 2001, at 7.

3 Donald F. Bamett, *Double* Ought *Naught,* presented at World Steel Dynamics , Steel Success Strategies XV: Seizing the Competitive Advantage, New York, NY (June 2000) at Table 3.

> from iron, although perhaps higher cost iron itself. In the final analysis the cash costs of iron substitutes converted to steel is not that much lower than BF iron converted to steel. We have not yet created the ideal process for replacing the blast furnace. Thank God for the blast furnace![4]

Even U.S. minimills, who are the integrated mills' primary competitors, recognize that there are products that simply cannot be made by electric-arc furnaces under current technological conditions. Thus, for example, Steel Dynamics Inc. (SDI) states in its comments:

> SDI's products, which are primarily derived from the melting of steel scrap, do not currently provide the metallurgical drawing and coated surface properties that would allow them to be used in exposed automotive applications, such as hoods, trunks, and bodies of autos, nor can they be used by producers of steel food and beverage cans. Thus,. . .SDI and other similar mini-mills do not have the ability to supply all of the auto industry's needs, an industry which consumes approximately 20 million tons of steel annually. Similarly, to the best of SDI's knowledge, there are no mini-mill suppliers of tin mill products for the food and beverage can industry. This market accounts for approximately 6 million tons of domestic consumption annually.[5]

In order to make the kinds of products demanded by the highest quality uses, steel must be produced with strict chemical controls. Additional equipment, such as vacuum-degassers, is frequently necessary in order to produce these high quality steels. Mini-mills, whose chemical mix is dependent to some extent upon the scrap steel that they use as their principal raw material, simply cannot at present produce these high quality products. Until they can, a significant portion of the U.S. economy's need for steel will have to be met by steel produced in the blast furnaces and BOFs of integrated mills.

Given these facts, there will continue to be a demand for steel produced by integrated 'mills. So long as U.S. integrated mills can produce steel in an efficient, cost-competitive way,

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4 Donald F. Bamett, *Is the Blast Furnace Dead?*, presented at Steel Survival Strategies XIII, (June 1998) at page 254 (underlining added; exclamation points in original).

5 Comments of Steel Dynamics Inc., Apr. 9, 2001, at 2-3.

they will be able to satisfy those needs. And there is, as has been noted, a significant portion of integrated mill production that is cost-competitive. This segment of the industry will continue to supply the needs of the market in amounts more than sufficient to meet the national security nekds of the United States.

II. THE PROBLEM WITH THE U.S. INTEGRATED STEEL INDUSTRY IS NOT IMPORTS OF SEMIFINISHED STEEL; IMPORTS ARE PART OF THE SOLUTION TO THE PROBLEM.

Cleveland-Cliffs and the minimills all claim that imports of semifinished steel are the cause of the decline in purchases of U.S. iron ore.[6] Yet virtually all of these comments simply assume that imports are the cause of the decline; they do not develop any evidence to substantiate their assumption. When examined closely, it can be seen that imports of semifinished steel are not the cause of the problems faced by the U.S. integrated mills. Rather, they are a response to causes that lie elsewhere. Imports of semifinished steel, in fact, are essential to permit the U.S. integrated mills to meet the challenges that they face in the future.

A. The Cause of the Decline in Integrated Steel Production is the Rise of the Electric-Arc Furnace Minimill.

The fundamental cause of the decline in the production of blast furnace-BOF steel is the rise of the EAF-based minimills. What is occurring is nothing less than a fundamental shift in the manner of making steel, powered by technological change. As Oregon Steel states, "the reduction in usage of iron ore is more related to the shift in technology away from integrated

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6 Cleveland-Cliffs at 3 ("The iron ore industry now is threatened with quick extinction caused by the dramatic rise in the volume and number of sources exporting semi-finished steel to the United States.").

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6 Cleveland-Cliffs at 3 ("The iron ore industry now is threatened with quick extinction caused by the dramatic rise in the volume and number of sources exporting semi-finished steel to the United States.").

processes to scrap based electric arc furnaces."' Even Cleveland-Cliffs acknowledges this to be true.[8] Donald Bamett, perhaps the most respected analyst of the U.S. steel industry, put it this way:

> EAF shares of production have been rising steadily as mini-flat mills enter (and now produce over 18 mmt). These trends will continue as mini-flat mill capacity is fully utilized and rounded out. Beyond 2005 many integrated firms are expected to replace BOFs with steel furnaces, such as EAFs, which have energy generation potential and use less ho: metal, as welt as thin slab casters, in an effort to reduce their reliance on blast furnaces, and cut costs.'

The cost advantages of EAFs over integrated mills are well known. The facilities are substantially cheaper to build, since they require much less plant and equipment." They are cheaper to operate, because they use less energy. They do not run afoul of environmental constraints, because they use electricity as their energy source. And many if not most minimill facilities are either non-union or have their own local union, leading to substantially lower labor costs.

EAF production of steel in the U.S. now stands at 52.5 million tons, and is projected to reach <u>74 million tons</u> by 20 10.[11] Thus, projected output of EAF steel in 2010 will be roughly <u>ten times the peak of imports of semifinished steel</u>. It is absurd to suggest that semifinished steel

---

7 Comments of Oregon Steel Mills, Apr. 7, 200 1, at 1

8 Cleveland-Cliffs, 15 ("<u>increased electric arc furnace production</u>, when coupled with the surge in semifinished and finished steel imports, <u>has abruptly changed the integrated steel industry and greatly curtailed the use of iron ore</u>") (Underlining added.)

9 *Double Ought Naught* at 3-4.

10 Duferco-Farrell's comments point out, for example, that it would have cost them $200 million to upgrade their blast furnace and BOF facilities to competitive status, whereas it cost them only about one-third of that ($70 million) to put in state-of-the-art rolling mills. Comments of Duferco-Farrell, Apr. 9, 2001, at 2.

11 *Double Ought Naught* at Table 3.

imports are the "cause" of the decline in U.S. blast furnace production when EAF steel production dwarfs semifinished steel imports in this manner.

Cleveland-Cliffs' attempt to blame imports of semifinished steel for the decline in integrated steel production -- they claim that "the majority of this void was filled by increased finished and semi-finished steel imports -- simply won't stand up to scrutiny. They begin by contrasting integrated mili production in 2000 with integrated mill production in 1980[12] Yet 1980 imports of semifinished steel, according to Cleveland-Cliffs, were only 0.2 million tons. [13]

Cleveland-Cliffs itself admits that imports of semifinished steel did not become significant until the 1990's.[14] During that 1 O-year period, according to Cleveland-Cliffs, steel produced by integrated mills declined from 62 million tons to 57.5 million tons, a decline of less than 5 million tons.[15] At the same time, domestic EAF steel, according to Cleveland-Cliffs itself, increased by 12.6 million tons (from 36.9 to 49.5 million tons). When domestic EAF-based steel production increases by more than twice the amount of decrease in integrated mill production (and by almost twice the level of semifinished imports), it is simply ludicrous to blame the decline in integrated mill production on semifinished steel imports.[16] The obvious "cause" of the decline in integrated mill production is the increase in EAF-based steel production in the US.

12 Cleveland-Cliffs at 2.

13 *Id.* at 14.

14 Id. at 12.

15 The number are derived as follows: Cleveland-Cliffs says that EAF production in 1990 was 36.9 million tons, which was 37.3% of domestic production. That means that total production was 98.9 million tons (36.9/37.3%), and therefore integrated mill production was 62 million tons. Cleveland Cliffs also says that 1999 production by EAF producers was 49.5 million tons, or 46.2% of production. That means that total production in 1999 was 107 million tons (49.5/46.2%), and integrated production would be 57.5 million tons. *Id.at* 12.

16 This is not the only puzzler contained in Cleveland-Cliffs submission. They claim that "imports of iron ore.. . have not greatly displace domestic iron ore production." Cleveland-Cliffs at 3. Yet they themselves state that "total iron ore imports for 1999 totaled approximately 14.5 million tons." *Id* at 13. This is about

It is worth describing just how EAF-produced steel competes with integrated steel mill production in order to understand the nature of the challenge faced by the integrated producers. Steel encompasses a wide array of products, from the most specialized, high-quality products such as are used in exposed parts of automobiles, to basic commodity products. While minimills cannot, as noted, produce the highest quality products, they can produce the commodity grades of hot-rolled and cold-rolled steel. These commodity products can be produced using either biast furnace-BOF or EAF steel, but EAF-produced steel is significantly cheaper than that produced by integrated mills. One analyst put this difference in 1999 at $33 per ton for hot-rolled band, $48.25 for pickled hot-rolled coil, and $104 per ton for cold-rolled coil.”

For such products, integrated producers cannot hope to compete over the long term with EAF-based minimills. The lower costs experienced by minimills mean that they can sell profitably at prices below the production costs of the integrated mills. These lower costs not only act as a ceiling on integrated mills' prices for commodity products, they also force them (the integrated mills) to make structural changes in order to remain in operation. First, sawy integrated mills must concentrate more of those efforts on “higher margin, value-added steel products” that the minimills cannot effectively produce. This means spending capital to maintain and to upgrade the facilities that produce those products.

Second, to regain or retain cost-competitiveness with the mini-mills, US integrated mills must shut down their smaller, older blast furnaces. These blast furnaces have higher per-ton operating costs than the larger blast furnaces, and the costs of repairing them are enormous.

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twice the level of semifinished steel imports! It is hard to understand how 14.5 million tons of imported iron ore, which is directly competitive with domestic ore, cannot have displaced domestic iron ore production, while 7.5 million tons of semifinished steel can.

[17] *Double Ought-Naught* at Table 1.

These costs simply cannot be justified given the cost advantages of their competitors, the minimills.

Some U.S. integrated mills have already undertaken the restructuring necessary to remain competitive with EAF-based minimills. AK Steel notes in its comments that it has "closed non-productive facilities, concentrated on areas where it had production advantages or efficiencies, and invested over a billion dollars in state-of-the-art facilities to produce higher margin, value-added steel products."[18] Given AK Steel's evident success in maintaining profitability in the face of minimill competition, more integrated producers are likely to follow the AK Steel business plan in the future. US mills must close inefficient blast-furnace and BOF facilities if they are to remain competitive with the minimills.

B. The Mills that Cleveland-Cliffs and the USWA Cite as Going Bankrupt Have Clearly Done So for Reasons Other Than Imports of Semifinished Steel.

In support of their claims that imports of semifinished steel have resulted in the decline of U.S. integrated capacity, both Cleveland-Cliffs and the United Steel Workers of America recite a litany of bankruptcies by integrated steel mills." Neither Cleveland-Cliffs nor the US WA, however, is able to demonstrate how these bankruptcies were caused by imports of semifinished steel.[20] In fact, a close examination of the companies that have gone bankrupt makes clear that none of these bankruptcies was caused by the importation of semifinished steel.

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18 AK Steel at 7.

19 Cleveland-Cliffs at 17- 18; Comments of USWA at 3, n. 1.

20 Their argument boils down to a claim that because semifinished imports have increased while integrated mill production has decreased, the decrease in integrated production must be <u>because of</u> the increase in semifinished imports. This is a classic example of the *post hoc* ergo *proper hoc* logical fallacy. In fact, as we demonstrate, imports of semi-finished steel have increased <u>as a result of</u> the decline of integrated production, rather than the reverse. The cause of the decline in integrated production is US EAF production, not semifinished steel imports.

Of the mills cited by Cleveland-Cliffs and the US WA as having gone bankrupt, five produced flat rolled products from slab. Four were integrated facilities, including Gulf States Steel, Acme Steel, Wheeling-Pittsburgh, and LTV Steel. The fifth mill, Trico Steel, was a minimill. The circumstances surrounding the bankruptcies of each one of these mills can be briefly described:

- **Gulf States** Steel. Gulf States steel is a vestige of the old Republic Sieel Corp., which LTV combined wi.h its Jones & Laughlin steel unit in the mid-198Cs to foim LTV Steel, a merger that eventually led to LTV's bankruptcy in 1986 after combining both the best, but also the worst, assets of both companies. As even the USWA admits, imports of semifinished steel in 1986 were virtually nil. A U.S. Department of Justice consent decree led to the spin-off of Republic's Gadsden facility, which became Gulf States Steel. The facility was unprofitable in the waning year's of Republic's ownership as well as the two years LTV owned it before spinning it off. Early profits at Gulf States were largely the result of a new labor agreement, but technology and outmoded facilities quickly caught up with Gulf States, which made incremental improvements to its casting and rolling facilities, but did not keep pace on its hot-end. Recognizing the limitations of its small, old blast furnaces, ownership was looking to add electric arc furnaces as early as 1986, but they never materialized. Facing a re-line of one of its two blast furnaces in 1996, it scrapped the furnace instead given the high costs involved. It was facing the same dilemma when it shut its operations in 2000 given the costly re-line needed for its circa 1942 No. 2 furnace.*'

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21 See Brenda Sapino, *Gulf States Nearing Profits*, American Metal Market, Apr. 4, 1986; Michael Amdt, *Blast Furnaces Produce Less and Less of the Nation's Steel, and High Cost and Newer Methods Threaten Their Continued Existence, but the Venerable Giant Pots Have Won a Place in Workers' Hearts,* Chicago Tribune, Feb. 7, 1999 at 1C; *The Ever-Changing Legacy of the LTV/Republic Merger, New* Steel, Jan.

- **Acme Steel.** Acme Steel filed for bankruptcy in 1998. It relied on ingot casting to produce steel as late as June 1997, more than a decade after that outmoded production technology had any viable commercial potential in the face of continuous casting, which is now the dominant and far more efficient steel production technology. It installed a thin-slab caster in October 1996, the first ever attempt to team such technology with a BF/BOF operation, and suffered from a very slow-startup. The start-up difficulties prevented Acme from participating in strong steel markets in 1997 and 1998 at a time when it was significantly leveraged and needed to recoup capital costs. It lost key customers because of slow deliveries. Moreover, Acme had difficulty producing the niche grades that were a crucial component of its business plan. It ended up selling far more commodity grade steels than it wanted to, exposing it to intense competition from Nucor and other more efficient minimills that dominate that segment of the market. Acme's captive pickling and slitting facility also started up late, limiting the range and volume of products it could market. In assessing its future production options, Acme's own consultants have recommended closing most of Acme's operations, except for the new thin-slab caster / hot strip mill, which is modem and competitive. To the extent Acme wants to maintain raw steel production, it was advised that it should combine proceeds from the sale of some of its productive assets, such as its coke ovens, and build an electric arc furnace, effectively turning itself into a minimill.[22]

1999; *15 Years Later Wheeling-Pittsburgh Re-Enters Bankruptcy, New* Steel, Jan. 2001, located at http://www.newsteel.com/2001/news/nw010101.htm, visited Apr. 25, 2001.

22 *See Acme Files for Bankruptcy,* New Steel, Nov. 1998, located at http://www.newsteel.com/news/nw981103.htm, visited Apr. 25, 2001; Bryan Berry, *Starting up the World's First, New* Steel, Sept. 1998, located at http://www.newsteel.com/features/ns9809pp.htm, visited Apr. 25, 2001; *Acme Should Liquidate or Close Most Operations, Report Says, New* Steel, Apr. 1999, located at http://www.newsteel.com/news/NW990413.htm, visited Apr. 25, 2001.

- **Wheeling-Pittsburgh.** In November 2000, Wheeling-Pittsburgh re-entered bankruptcy for the second time in 15 years. Again, the first bankruptcy took place at a time when imports of semifinished steel were negligible. Moreover, after Wheeling Pittsburgh did emerge from bankruptcy in 1991, it was later crippled by a IO-month strike beginning in October 1996 during which time its operations were completely shut down, costing the company hundreds of millions of dollars. The timing was critical, as it occurred at the beginning of one of the strongest U.S. steel markets in history. In August 1997, a new labor agreement with the union was secured, but the mill still had the difficulty of regaining customer confidence and re-establishing itself in the market place during a period of significant minimill expansion. According to well-known steel industry analyst, "its pretty clear this company, with the labor force and attitudes involved, cannot be reorganized. . .the mill should be liquidated given that it is a high-cost producer with relatively poor facilities in a competitive market." [23]
- **Trico Steel.** Trico steel, a new minimill that commenced operations in Feb. 1997, filed for bankruptcy this year (2001). It is effectively a victim of its own design. Equipment problems plagued the operation, including the failure of two out of the three transformers that deliver power to the plant by early 1999. Instead of a continuous operation, Trico was producing steel in a batch process, shifting power through one transformer to different mill operations as a heat of steel was produced, killing its efficiency. In addition to its transformer problems, it had a bum-through at its EAF, causing further production delays. As recent as February 2000 it had an explosion in its melt shop and

[23] *See 15 Years Later Wheeling-Pittsburgh Re-Enters Bankruptcy,* New Steel, Jan. 2001, located at http://www.newsteel.com/2001/news/nw010101.htm, visited Apr. 25, 2001; John Sacco, *For Wheeling-Pitt, the Long Wait is Over,* American Metal Market, Nov. 20, 2000.

reportedly did not solve its operational problems until this past Fall. Steel is a capital-intensive industry with large start-up costs. It is imperative that start-up operations commence smoothly to cover these costs. Trico's experience was the antithesis of a smooth start.[24]

- **LTV Steel.** When it was formed in the mid-l 980s, LTV Steel was an amalgamation of three struggling steel companies, or as one journalist described it, "a union of the beleaguered in the steel industry, the last vestige of such ancient and luckless names as Jones & Laughlin, Youngstown and Republic." The merger did not pay off through increased economies of scale. It folded in some efficient operations, but also inefficient operations that ultimately cost the company, which filed for court protection in 1986. After some restructuring and shedding of inefficient assets, LTV re-emerged from bankruptcy in 1993. Only eight years later it is back in bankruptcy, with some of the same inefficient assets it had in 1986. Imports of finished and semi-finished steel are not to blame, especially when compared to the poor business decisions made by LTV over the past two years, including the assumption of heavy debt levels in spending $800 million to acquire Copper-weld Corporation, a steel tube manufacturer, in late 1999, which enraged stockholders. In the process it paid high multiple of EBIDTA (earnings before interest, depreciation, taxes, and amortization) as the steel market was softening.

24 *See Trico Shuts Down, Prepares for Chapter* I I, New Steel, Mar. 2000, located at http://www.newsteel.com/2001/currentnews/news032601.htm, visited Apr. 25, 2001; *Second Transformer Fails at Trico, New* Steel, Mar. 1999, located at http://www.newsteel.com/news/nw990319.htm, visited Apr. 25, 2001; *Four Injured in Explosion at Trico Steel, New* Steel, Feb 2000, located at http://www.newsteel.com/2000/nw000205.htm, visited Apr. 25, 2001.

LTV also failed to hedge-buy its energy requirements, leaving it vulnerable to recent spikes in energy costs.[25]

In summary, all of the major bankruptcies of flat-rolled producers cited by Cleveland-Cliffs and the USWA were closed because of varying combinations of outdated equipment and production technologies, labor strife, seriously flawed designs, and poor business decisions, Three of the five companies originally went bankrupt in the mid-1980's, when imports of semifinished steel were virtually non-existent. It is simply impossible to attribute the failures of these companies to the importation of semifinished steel.

C. Given the Competition from Minimills, Imports of Semifinished Steel Permit US Integrated Facilities to Remain Competitive.

The competitive pressures imposed on integrated producers have nothing to do with the importation of semifinished steel. They are the result of pressures from US minimills using EAF facilities. These pressures will continue to force reductions in US blast furnace production -- and therefore in US mills' consumption of iron ore -- even if all imports of semifinished steel are prohibited. Indeed, if imports of semifinished steel were prohibited, the process of closing US blast furnaces could even be accelerated, because the average costs of production of finished steel by US integrated mills would be that much higher and they would be that much more disadvantaged vis-à-vis the minimills.

Given the exogenous and inexorable pressures from the minimills, US integrated producers have responded rationally and correctly by importing steel slab. It bears mention that,

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[25] See Jonathan P. Hicks, *A Steel Strategy Backfires*, *New* York Times, Jul. *18, 1986* at D *1; LTV Files for Bankruptcy, New* Steel, Feb. 2001, located at http://www.newsteel.com/2001/news/nw010202.htm, visited Apr. 26, 2001; Thomas W. Gerdel, *LTV's Meltdown: Steel Maker's Hot Turnaround Becomes Puddle of Debt, Losses,* The Plain Dealer, Sep. 17, 2000.

contrary to Cleveland-Cliffs' claims, imports of semifinished steel have not increased rapidly, but rather have remained remarkably stable for the past seven years. Cleveland-Cliffs creates the impression of an increase by comparing imports in 1999 to imports in 1997, the latter being the year of least imports since 1994. But our figures demonstrate that imports in 1994 were just under 7.6 million tons, virtually the same level as imports in 2000.[26]

The stable source of imported slab has been very helpful to US producers. Imported slab helps these producers in three ways. First, to the extent that the integrated mills import the types of slab that they are already producing in their own BOFs, the lower cost imported slab allows them to lower their average cost of producing that slab. Second, by importing commodity slab from abroad, these producers can devote more of their own slab production to higher quality, higher-profit products. Third, and most significantly in the long run, by importing slabs integrated producers are free to close their small, outdated or inefficient blast-furnaces, replacing the steel from these furnaces with semifinished steel. That allows the integrated producers to keep their rolling mills running at full capacity, while at the same time limiting their production of crude steel to their most efficient facilities.

AK Steel's model shows that by using such a business plan, integrated facilities can remain highly profitable and productive. Other integrated mills such as Oregon Steel are adopting this model. If the US integrated steel industry is to remain viable in the face of competition from EAF-based minimills, it must be able to import steel slab.

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[26] Initial Comments of Brazilian Mills, Apr. 9, 2000 (hereafter "Brazilian Mills"), at 11 and Exhibit 1, Table 3.

III. IMPORTS OF SEMIFINISHED SLAB DO NOT THREATEN U.S. NATIONAL SECURITY.

Most commentators who seek restrictions against the importation of semifinished steel claim that semifinished steel threatens the existence of the US integrated steel industry, and **that** the loss of the US integrated steel industry would threaten the national security. We have already demonstrated that their claims of the demise of the integrated steel industry are fantasy. The US integrated steel industry wiii continue to'exist and be profitable for many years to come, although it will be reduced in size as integrated mill production is replaced by EAR-based steel.

Assuming that the integrated mill sector does shrink over the next ten years, however, that shrinkage does not threaten US national security in the slightest. As Cleveland-Cliffs itself has pointed out, the US military does not consume semifinished steel. Rather, it consumes finished steel, overwhelmingly in the form of ships, planes, tanks, vehicles, buildings and machinery. Thus, to provide for the national security, it is important to assure that the production base of finished steel is not threatened.

The overwhelming weight of evidence is that there will be no decline in the production of either crude steel or finished steel over the foreseeable future. The leading steel industry analyst, Donald Bamett, predicts that crude steel production in the US will increase from 96.5 million tons in 2000 to 105 million tons in 2010. At the same time, he projects US production of finished steel products to increase from 91.5 million tons in 2000 to 99.5 million in 2010.[27] As we have pointed out in our comments of April 9, 2000, production of 99.5 million tons is more than ten percent higher than total annual US steel production during World War II.

[27] *Double Ought-Naught* at Table 3.

Cleveland-Cliffs engages in considerable numerical sleight-of-hand in order to leave the impression that the consumption of steel in US defense is substantially greater than it is. For example, Cleveland-Cliffs notes that the "Navy's newest nuclear-powered aircraft carrier, the *Ronald Reagan*, required 47,000 tons of steel. . . . As of 1998, another 41 naval ships were on construction backlog, and the Navy's Future Year Defense Plan provides funding for an additional 8 ships a year through the year 2005"[28] Assuming that this means a total of 81 ships built through 2005 (which is a large assumption), and assuming that each ship was the size of the *Ronald Reagan* (which of course is not true, since the *Ronald Reagan* is the largest ship in the Navy), this would require a total of 3.8 million tons of steel. This would mean that maximum total Navy shipbuilding requirements would be less than one percent of total U.S. steel production of roughly 500 million tons between 2001 and 2005.[29] While the steel tonnage used in Navy shipbuilding may seem large in itself, it is, as it were, a drop in the ocean of U.S. steel production capability.

As Cleveland-Cliffs admits, "it is difficult to estimate the exact tonnage of steel used by the military each year." That is undoubtedly true. However, we have demonstrated in great detail in our previous submission that US capacity to produce steel is substantially greater than any current or foreseeable defense needs. Moreover, we point out that US finished steel capacity is maximized, rather than reduced, by permitting the importation of semifinished steel, because it allows rolling capacity to be fully utilized. Nothing in the anecdotal and misleading information provided by Cleveland-Cliffs contradicts these conclusions.

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[28] Cleveland Cliffs at 8.

[29] In fact, the 3.8 million ton figure is a gross overstatement. As even Cleveland-Cliffs admits, a Virginia Class submarine requires only about 6,000 tons of steel plate, or about one-eighth of the requirements of an aircraft carrier. Thus, depending on the mix of ships ordered by the Navy, actual shipbuilding demand could be anywhere from 3.8 million tons to as little as half a million tons (assuming that all 8 1 ships were of the size of a nuclear submarine) over the next five years.

IV. WHILE MINIMILLS ARGUE THAT IMPORTED SLAB ADVERSELY AFFECTS U.S. CRUDE STEEL PRODUCTION, THEY THEMSELVES ARE IMPORTING PIG IRON SO AS TO INCREASE THEIR COMPETITIVENESS WITH US INTEGRATED MILLS.

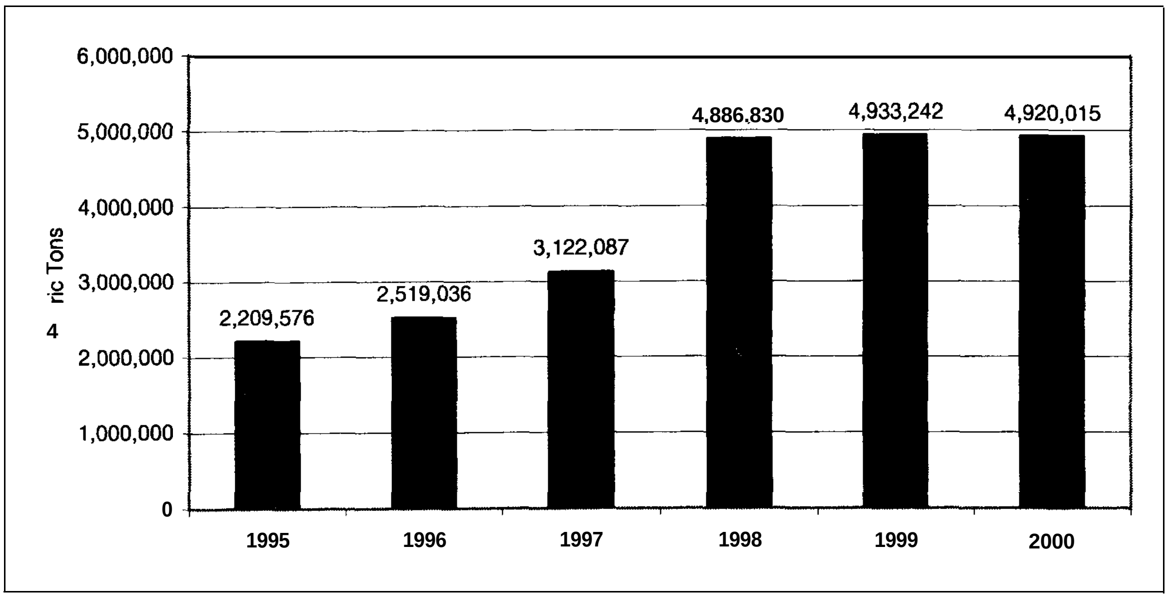
It is not entirely surprising that minimills such as Nucor and Steel Dynamics call for restrictions on imports of semifinished steel. Imports of semifinished steel, particularly in the form of slab, permit integrated mills to operate more cheaply and efficiently, thus allowing them to compete more effectively with US minimills. Nor is it surprising (although it is hardly patriotic) that minimills would want to restrict their US competitors' ability to make steel profitably. What is not understandable, however, is that these minimills fail even to mention the fact that US minimills (perhaps the largest of which is Nucor) have been importing significant quantities of raw materials of their own, in the form of pig iron. These imports by minimills have a greater potential to displace integrated mill capacity than imports of slab.

Pig iron is the product of the blast furnace, that is, virtually pure iron extracted from ore. It is the principal product that goes into the basic oxygen furnace ("BOF") for conversion into steel. Both purchased pig iron and purchased slab may displace blast furnace production. US minimills import pig iron for one reason only: to compete with US integrated mills. With imported pig iron, minimills can obtain the purity of steel that they cannot otherwise obtain from the steel scrap which is the normal feedstock for their EAFs. Imports of pig iron thus permit the minimills to compete more effectively with the integrated mills. The minimills, while decrying imports that permit their competition (integrated mills) to compete with them, fail totally to disclose that they are importing to compete with the integrated mills. This is disingenuous to the point of hypocrisy.

A. Imports of Pig Iron Have More Than Doubled Since 1995.

Imports of pig iron more than doubled between 1995 and 2000. Unlike imports of semifinished steel which have fluctuated within a relatively narrow band, imports of **pig** iron have increased in every single year between 1995 and 1999, increasing from 2.2 million tons in 1995 to nearly 5 million tons in 1999. While imports did not increase between 1999 and 2000, they only decreased by 13,000 tons out of nearly 5 million.

Figure 1 -- U.S. Imports of Pig Iron[30]



The imports of pig iron are roughly equivalent to the pig iron required to produce 5 millions tons of slab.[31] Thus, the increase in imports of pig iron since 1995 is roughly equivalent to an increase in imports of 2.7 million tons of semifinished steel. Looking over a longer period,

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30 Source: USITC Dataweb.

31 Less than one ton of pig iron is required to produce a ton of steel since scrap and various alloys are mixed with the pig iron at the steelmaking stage. After yield losses at the crude steel and slabbing stages of production, less than one ton of pig iron is required for each ton of steel produced.

imports of pig iron averaged 0.51 million tons between 1989 and 1993, meaning that there was a near 10 fold increase in imports in the I 990's.[32]

B. EAF Consumption of Pig Iron Is Increasing, Almost All of Which Is Imported

While the comments of minimills have alleged that imports of semifinished steel will adversely affect U.S. crude steel capacity,[33] they have ignored the effects of imports of pig iron on that same capacity. This likely is due to the fact that a maioritv of imports of pig iron are destined for consumption in EAF production of steel as a substitute for scrap (it is estimated, for example, that approximately half of the 3 million tons imported from Brazil in 2000 was destined for consumption by Nucor's EAF's).

Having achieved a cost advantage over integrated mills in steel production, the minimills still suffer from the inability to compete with the integrated steel mills in non-commodity grade steels.[34] Imported pig iron, however, provides a feedstock which potentially will expand the range of products which can be produced by EAF based minimills. This increasing use of pig iron as an EAF feedstock is described by one industry expert as follows:

> Will EAFs use pig iron to a greater extent? The answer is yes, because increasing EAF capacity that will be linked either to flat-rolled, special quality bar or high-quality rod producers. Such plants need a considerable amount of low-residual steel scrap and/or virgin iron units in their furnace charge. Blast furnace pig iron is probably the most ideal low-residual ferrous material since it has no gangue, no FeO, low nitrogen, low residuals and a substantial amount of carbon. EAF steelmakers have learned in the past few years that pig iron is one of their ideal feedstocks.[35]

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32 *Upgrading Suggested as Pig Iron Strategy,* World Steel Dynamics, *Steel Survival Strategies XIII* (June 1998).

33 Comments of Nucor, Apr. 9, 2000, at 1.

34 Brazilian Mills at 28.

35 *Upgrading Suggested as Pig Iron Strategy, supra* n. 33.

By importing pig iron, US minimills can produce those products that their EAF facilities cannot produce using steel scrap. They thus are able to increase the range of products that they use to compete with the integrated mills. Coupling low minimill costs with a broader range of products that compete with integrated mills could present a real threat to integrated mill production.

C. The Minimills' True Goal in Seeking to Restrict Slab Imports is to Weaken Their Competition, tne Integrated Mills.

The minimills purport to want to preserve integrated mill production in the US. Their importation of pig iron, however, betrays their true intentions. They do not want to restrict slab imports to preserve the integrated mills, but rather to force them to continue to rely on outdated, inefficient and small blast furnaces which keep their cost high and make them less competitive. At the same time, the minimills intend to continue to import significant quantities of pig iron in order to be able to offer products that compete directly with the integrated mills, and which they would not otherwise be able to offer from their own scrap-based EAFs.

V. CONCLUSION: THE ATTEMPT TO RESTRICT IMPORTS OF SEMIFINISHED STEEL IS NOTHING MORE THAN AN EFFORT TO OBTAIN COMMERCIAL ADVANTAGE BY ONE SEGMENT OF THE INDUSTRY OVER ANOTHER IT HAS NOTHING TO DO WITH THREATS TO NATIONAL SECURITY.

As we have noted, neither the domestic steel industry as a whole, nor the integrated mill component of that industry is threatened with extinction in the foreseeable future. Nor are imports of slabs a threat to the continued existence of integrated mills. On the contrary, imports of semifinished steel in the form of slabs will help preserve finished steel production and allow the integrated producers to compete with their real threat, US minimills.

Restrictions on imports of semifinished steel, on the other hand, will weaken the ability of the integrated mills and rerollers to compete with minimills. Companies like California Steel and Duferco-Farrell will close unless they have stable supplies of competitively priced slab. Companies like AK Steel will suffer in multiple ways, both in terms of being unable to fully utilize their rolling capacity during market peaks (and the consequent financial costs of maintaining underutilized capacity) and their inability to adopt a strategy which permits them to direct their investment dollars to the types of investments which provide the highest returns.

The comments of minimills in support of import restrictions on semifinished steel are a transparent attempt to reduce the competitiveness of integrated mills. At the same time they call for restrictions on slab imports, minimills want to be able to import all the pig iron they can so that they can compete even more effectively with the integrated mills. The minimills come not to praise the integrated mills, but to bury them.

While their motivations are somewhat different from those of the minimills, the positions of the integrated mills supporting restrictions on slab is no less commercially oriented. The more protection the financially weak mills have from imports, the longer they will continue to operate. Their primary motivation is to remain in business by keeping their competitors' costs as high as possible.[36] Since the lack of a merchant market for semifinished steel virtually precludes using the unfair trade laws or obtaining relief under section 201, the national security provision provides a convenient alternative. Again, arguably management has an obligation to shareholders to ask for measures that increase their competitors' costs and therefore allow

36 It is illuminating in this respect that many of the companies seeking to restrict imports blame their competitor US mills for importing slab. Thus Rouge Steel claims that "a competitor, located in relatively close proximity to our mill, and in bankruptcy [presumably, LTV] is obtaining carbon steel slabs from Russia.. ." Comments of Rouge Steel at 2. IPSCO blames Duferco for importing Russian slabs. Comments of IPSCO at 2. And Geneva Steel blames its principal competitor, Oregon Steel, for importing "extremely low-priced carbon steel slabs [from unnamed sources, at unspecified prices] which allows them to undercut our prices." Comments of Geneva Steel at 2.

themselves to continue operations. However, this objective had nothing to do with national security.

This proceeding is about using trade laws to gain a competitive advantage for certain segments of the industry at the expense of others. Minimills want to restrict imports of slabs while continuing to import all the pig iron they desire, thus making integrated mills less competitive. Financially strapped integrated milis want imports to be restricted in order to keep their competitors costs high. At the end of the day, the fact is that U.S. crude steel production capacity has been increasing for at least a decade and is forecast to continue increasing. The arguments of US companies who favor restrictions on semifinished steel are therefore not really about preserving the domestic steel industry at all. What these companies really want is to preserve or enhance their own competitive position against their US competitors. This is not the proper goal of a national security investigation under section 232.